

**Rotary International District 5490**

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**Financial Statements**  
**Years Ended June 30, 2010 and 2009**

## Contents

	<u>Page</u>
<b>Accountant's Report</b> .....	1
<b>Financial Statements</b>	
Statements of Financial Position .....	2
Statements of Activities and Changes in Net Assets .....	3
Statements of Cash Flows .....	4
Notes to Financial Statements .....	5-7
<b>Supplemental Information:</b>	
Schedules of Administrative and Program Expenses .....	8
Schedules of District Governor, District Governor Elect and District Governor Nominee Expenses .....	9



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## Accountant's Report

Board of Directors  
Rotary International District 5490

We have reviewed the accompanying statements of financial position of Rotary International District 5490 (the District) as of June 30, 2010 and 2009, and the related statements of activities and changes in net assets and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Rotary International District 5490.

A review consists principally of inquiries of District personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Our reviews were made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The information included on pages 8 and 9 is presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

*Walker & Armstrong, LLP*

Phoenix, Arizona  
December 22, 2010

**Rotary International District 5490**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 39,489	\$ 54,563
Restricted cash	17,940	16,519
Reimbursements receivable	450	978
Prepaid expense	1,882	6,855
Total current assets	59,761	78,915
<b>Property, at cost:</b>		
Equipment	15,202	15,202
Less accumulated depreciation	(11,945)	(8,905)
Net property	3,257	6,297
Total assets	\$ 63,018	\$ 85,212
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 150	\$ 886
Pledged to District Foundation	-	3,000
Total liabilities	150	3,886
<b>Net Assets:</b>		
Unrestricted	49,252	64,441
<b>Temporarily restricted:</b>		
Rotary Youth Leadership Awards	5,591	7,934
Youth Exchange	6,132	7,368
Other	1,893	1,583
Total net assets	62,868	81,326
Total liabilities and net assets	\$ 63,018	\$ 85,212

See accountant's review report and accompanying notes.

**Rotary International District 5490**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**Years Ended June 30, 2010 and 2009**

	2010		
	Unrestricted	Temporarily Restricted	Total
<b>Revenues and Other Support</b>			
Club assessments	\$ 58,178	\$ -	\$ 58,178
District conference	20,030	-	20,030
Seminars and trips	54,357	-	54,357
Rotary Youth Leadership Awards	-	44,993	44,993
Youth Exchange	-	24,903	24,903
Public relations grant	-	5,000	5,000
Contributions	1,160	6,901	8,061
Other	4,216	-	4,216
Interest	35	-	35
	<u>137,976</u>	<u>81,797</u>	<u>219,773</u>
<b>Expenses</b>			
<i>Program:</i>			
Rotary Foundation seminar/webinar	12,096	-	12,096
Trips	38,069	-	38,069
Group study exchange	10,000	-	10,000
Rotary Youth Leadership Awards	-	47,336	47,336
Youth Exchange	-	26,139	26,139
District conference	24,029	-	24,029
Lydia Cheng fund	-	-	-
Wheelchairs	-	-	-
Other Programs	22,144	6,591	28,735
<i>Supportive Services:</i>			
Administrative	11,170	-	11,170
Public relations	18,782	5,000	23,782
District Governor	5,693	-	5,693
District Governor Elect	5,191	-	5,191
District Governor Nominee	2,951	-	2,951
Other	-	-	-
Depreciation	3,040	-	3,040
	<u>153,165</u>	<u>85,066</u>	<u>238,231</u>
<b>Change in net assets</b>	(15,189)	(3,269)	(18,458)
Net assets at beginning of year	<u>64,441</u>	<u>16,885</u>	<u>81,326</u>
<b>Net assets at end of year</b>	<u>\$ 49,252</u>	<u>\$ 13,616</u>	<u>\$ 62,868</u>

**2009**

<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
\$ 53,328	\$ -	\$ 53,328
34,313	-	34,313
43,929	-	43,929
-	40,699	40,699
-	25,551	25,551
-	10,000	10,000
900	13,334	14,234
525	45	570
400	62	462
133,395	89,691	223,086
10,490	-	10,490
30,118	-	30,118
4,577	-	4,577
-	41,672	41,672
-	29,840	29,840
33,394	-	33,394
-	11,751	11,751
3,000	-	3,000
8,256	-	8,256
10,712	-	10,712
3,629	10,000	13,629
6,660	-	6,660
4,240	-	4,240
1,361	-	1,361
6,341	-	6,341
2,872	-	2,872
125,650	93,263	218,913
7,745	(3,572)	4,173
56,696	20,457	77,153
\$ 64,441	\$ 16,885	\$ 81,326

See accountant's review report and accompanying notes.



**Rotary International District 5490**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Cash flows from operating activities:</b>		
Cash received from member clubs and programs	\$ 220,266	\$ 223,736
Cash paid to suppliers, officers and programs	(233,954)	(217,526)
Interest received	35	462
Net cash provided by (used in) operating activities	<u>(13,653)</u>	<u>6,672</u>
<b>Cash flows from investing activities:</b>		
Purchase of equipment	<u>-</u>	<u>(2,022)</u>
Net cash used in investing activities	<u>-</u>	<u>(2,022)</u>
<b>Net (decrease) increase in cash</b>	(13,653)	4,650
Cash at beginning of year	<u>71,082</u>	<u>66,432</u>
<b>Cash at end of year</b>	<u>\$ 57,429</u>	<u>\$ 71,082</u>
 <b>A summary of the cash balance is as follows:</b>		
Cash	\$ 39,489	\$ 54,563
Restricted cash	<u>17,940</u>	<u>16,519</u>
Total cash	<u>\$ 57,429</u>	<u>\$ 71,082</u>
 <b>Reconciliation of change in net assets to net cash provided by (used in) operating activities</b>		
Change in net assets	\$ (18,458)	\$ 4,173
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,040	2,872
Decrease in reimbursements receivable	528	1,112
Decrease (increase) in prepaid expenses	4,973	(4,871)
(Decrease) increase in accounts payable and pledges to District Foundation	<u>(3,736)</u>	<u>3,386</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ (13,653)</u>	<u>\$ 6,672</u>

See accountant's review report and accompanying notes.



**Rotary International District 5490**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2010 and 2009**

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**Note 1 - Summary of Significant Accounting Policies**

**Organization and Nature of Activities**

Rotary International District 5490 (the District) is a division of an Illinois non-profit corporation that promotes high business ethical standards, international understanding and community service. The District's offices are located in Phoenix, Arizona and services are provided throughout the State of Arizona.

The District receives dues from each of the forty member clubs within the District based on the clubs' individual membership counts. The District also receives revenue from members for their attendance at the annual District conference.

Additional support is received as expense reimbursements from Rotary International and member club participation charges and contributions to several programs and projects sponsored by the District.

Significant activities of the District are as follows:

**Education and Leadership Training** – The District hosts education and leadership training seminars and conferences throughout the year attended by District club members.

**RYLA** – Rotary Youth Leadership Awards represents revenues and expenses directly associated with the sponsorship of high school student participation in camps, seminars and other leadership training activities.

**Youth Exchange** – The District collects donations from member clubs to sponsor qualified high school age students for a study abroad program for periods ranging up to one year.

**Basis of Accounting**

The financial statements of the District have been prepared on the accrual basis of accounting. Revenues are recognized and recorded when earned, and expenses are recognized and recorded when incurred. Revenues and expenses are presented in the statement of activities on a functional basis, classified according to significant program activities.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

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### **Note 1 - Summary of Significant Accounting Policies – Continued**

#### **Basis of Presentation**

The District reports information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The District reports its revenue and other support as unrestricted if there are no donor-imposed restrictions that limit its use.

The District reports RYLA and Youth Exchange activities as temporarily restricted since their use is restricted for use in those programs. The temporarily restricted net assets are managed and maintained in separate checking and savings accounts and, accordingly, are reported as restricted cash. The District has no permanently restricted net assets as of June 30, 2010 and 2009.

#### **Income Taxes**

The District is exempt from federal and state income taxes under Section 501(c)(4) of the Internal Revenue Code of 1954, as amended, and under Section 43-1201 of the Arizona Revised Statutes of 1956, as amended. The District has not been classified as a private foundation by the Internal Revenue Service. As of June 30, 2010, tax years 2007 through 2009 remain subject to examination by major tax jurisdictions.

#### **Affiliated Organizations**

Substantially all of the District's revenues are received from affiliated organizations, member clubs, individual members and Rotary International parent organization.

#### **Cash**

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. All of the District's bank accounts are held in checking and savings accounts and are fully covered by FDIC insurance. Included in cash as of June 30, 2010 and 2009, is \$3,784 held by the District on behalf of RYLA.

#### **Equipment**

Cost of equipment exceeding \$500 is capitalized at cost when purchased and for donated equipment at fair market value at the date of donation. Depreciation is provided for based on estimated useful lives of five years using the straight-line method.

The cost of normal maintenance and repairs that do not add to the value to the asset or materially extend asset lives are not capitalized, whereas major betterments are capitalized.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

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### **Note 1 - Summary of Significant Accounting Policies – Continued**

#### **Donated Services**

A number of unpaid volunteers have contributed significant amounts of time to the District. The value of this time is not reflected in the financial statements since a value for their services cannot be objectively determined.

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Note 2 –Restricted Cash**

As of June 30, 2010 and 2009, there is \$1,807 and \$4,150, respectively, in restricted cash balances held in separate bank accounts for RYLA. As of June 30, 2010 and 2009, there is \$16,133 and \$12,369, respectively, in restricted cash balances held in separate bank accounts for the Youth Exchange programs.

### **Note 3 – Subsequent Events**

The District has evaluated subsequent events through December 22, 2010, the date in which the financial statements were available to be issued. No events or transactions occurred after year-end that require additional disclosure to the financial statements.

## **Supplemental Information**

**Rotary International District 5490**  
**SCHEDULES OF ADMINISTRATIVE AND PROGRAM EXPENSES**  
**Years Ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Administrative Expenses:</b>		
Annual report and accounting	\$ 4,000	\$ 3,000
Directory	3,254	1,892
Training for emerging leaders	1,454	-
Credit card discount and bank fees	775	488
Insurance	720	720
Council of legislation	614	-
Other unbudgeted expense	295	982
Supplies	58	522
ADG expense	-	1,800
Web page and data maintenance	-	1,308
	<u>          </u>	<u>          </u>
Total administrative expenses	<u>\$ 11,170</u>	<u>\$ 10,712</u>
<b>Other Program Expenses:</b>		
P.E.T.S. assembly	\$ 13,642	\$ 2,037
Promotion	5,646	2,193
Discretionary	2,192	1,924
Polio awareness event	580	-
Tri-district leadership academy	144	400
District assemblies and meetings	(60)	1,387
Interact Rotaract	-	315
Legacy challenge	3,500	-
Haiti shelter box	3,000	-
Kenya water project	91	-
	<u>          </u>	<u>          </u>
Total other program expenses	<u>\$ 28,735</u>	<u>\$ 8,256</u>

See accountant's review report.

**Rotary International District 5490**  
**SCHEDULES OF DISTRICT GOVERNOR, DISTRICT GOVERNOR ELECT**  
**AND DISTRICT GOVERNOR NOMINEE EXPENSES**  
**Years Ended June 30, 2010 and 2009**

	2010	2009
<b>District Governor Expenses:</b>		
International convention	\$ 4,041	\$ 4,653
Zone Institute costs	1,652	2,007
 Total District Governor expenses	 \$ 5,693	 \$ 6,660
 <b>District Governor Elect Expenses:</b>		
Zone Institute costs	\$ 2,993	\$ 571
International convention	2,127	3,573
Administration	71	-
Planning Committee	-	96
 Total District Governor Elect expenses	 \$ 5,191	 \$ 4,240
 <b>District Governor Nominee Expenses:</b>		
Zone Institute costs	\$ 2,951	\$ 1,361
 Total District Governor Nominee expenses	 \$ 2,951	 \$ 1,361

See accountant's review report.