

April 23, 2020

The District Council
Rotary International District 7090

We have audited the financial statements of the Rotary International District 7090 (the District) for the year ended June 30, 2019 and have issued our report thereon. 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 November 21, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

The District Council is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. Other than the required adoption of ASU 2016-14, *Not-for-Profit Entities*, no new accounting policies were adopted and the application of the existing policies was not changed during 2019. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus.

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:

- Valuation of accounts receivable and advances to Rotary International Convention Committee
- Foreign currency translation

The District Council's process for determining the above estimates is based on firm concepts and reasonable assumptions of future events. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements as a whole.

Footnote Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to the financial statement user. We evaluated all disclosures in relation to the financial statements as a whole, and determined they are reasonable.

Difficulties Encountered in Performing the Audit

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

Adjustments

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of the organization. During our audit, the District recorded the following adjustment for the year ended June 30, 2019:

- Increase accounts payable and professional fees expense by \$5,400

Disagreements

For purposes of this letter, a disagreement with the District is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Representations

We have requested certain representations from the District Council that are included in the representation letter consistent with the financial statement audit report date.

Consultations with Other Independent Accountants

In some cases, the organization 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 District's financial statements or a determination of the type of auditor's 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 discussed a variety of matters, including the application of accounting principles and auditing standards, with the organization prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the additional information accompanying the financial statements, we made certain inquiries of the District and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the additional information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This communication is intended solely for the information and use of the District Council, and is not intended to be, and should not be, used by anyone other than these specified parties.



April 23, 2020

The District Council
Rotary International District 7090

In planning and performing our audit of the financial statements of Rotary International District 7090 (the District) as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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 was not designed to 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.

Timeliness of Accounting

During our audit, we noted significant delays between the date the District received cash payments and invoices, to the date the transactions were processed with a bank, and further to the date the transactions were recorded in the general ledger. We recommend the District establish monthly financial close procedures to ensure all transactions are timely processed and recorded in the general ledger.

General Journal Entries

To enhance controls over financial reporting, we recommend general journal entries be reviewed and approved by a level higher than the preparer on a monthly or quarterly basis and documented by such person.

Tax Compliance

We recommend the District establish policies and procedures to ensure compliance with all tax matters, including those to file Form 1099-MISC, *Miscellaneous Income*, to all appropriate recipients of the District.

Bank Statements (update from prior year)

We continue to recommend the original bank statement, including cancelled checks, deposits, and electronic transactions, be reviewed and approved by a person independent of the accounting function, and documented by such person.

This communication is intended solely for the information and use of the District Council, and is not intended to be, and should not be, used by anyone other than these specified parties.

Lumsden & McCormick, LLP

ROTARY INTERNATIONAL DISTRICT 7090

FINANCIAL STATEMENTS

JUNE 30, 2019

INDEPENDENT AUDITORS' REPORT

The District Council
Rotary International District 7090

We have audited the accompanying balance sheets of Rotary International District 7090 (the District) as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years 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 accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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. 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 financial position of the District as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



April 23, 2020

ROTARY INTERNATIONAL DISTRICT 7090

Balance Sheets

June 30,	2019	2018
Assets		
Cash	\$ 303,300	\$ 207,565
Accounts receivable	43,140	7,925
Advance to Rotary International Convention Host Committee (Note 2)	-	37,969
Prepaid expenses and other assets	5,380	5,380
	<u>\$ 351,820</u>	<u>\$ 258,839</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 97,824	\$ 23,534
Deferred revenue	3,690	4,087
	<u>101,514</u>	<u>27,621</u>
Net assets without donor restrictions	<u>250,306</u>	<u>231,218</u>
	<u>\$ 351,820</u>	<u>\$ 258,839</u>

Statements of Activities

For the years ended June 30,

2019

2018

Net assets without donor restrictions

Revenue:

Club assessments	\$ 122,489	\$ 114,839
District conference	32,109	58,530
Program events and training	78,325	93,412
District grants	39,122	52,227
Other income	17,303	29,203
Total revenue and other support	289,348	348,211

Expenses:

Program services	180,493	254,591
Management and general	89,767	76,303
Total expenses	270,260	330,894

Change in net assets without donor restrictions

19,088 17,317

Net assets - beginning

231,218 213,901

Net assets - ending

\$ 250,306 \$ 231,218

ROTARY INTERNATIONAL DISTRICT 7090

Statements of Cash Flows

For the years ended June 30,	2019	2018
Operating activities:		
Change in net assets	\$ 19,088	\$ 17,317
Net change in other current assets and current liabilities:		
Accounts receivable	(35,215)	3,431
Advance to Rotary International Convention Host Committee	37,969	(656)
Prepaid expenses and other assets	-	18,380
Accounts payable and accrued expenses	74,290	(45,127)
Deferred revenue	(397)	1,872
	<hr/>	<hr/>
Net operating activities (change in cash)	95,735	(4,783)
	<hr/>	<hr/>
Cash - beginning	207,565	212,348
	<hr/>	<hr/>
Cash - ending	\$ 303,300	\$ 207,565

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Organization:

Rotary International District 7090 (the District) is a nonprofit social organization established to provide resources to a variety of charitable endeavors. The District is comprised of Rotary clubs located in Western New York, U.S.A. and Southern Ontario, Canada and is funded through club assessments and District programs and events.

Each Rotary club throughout the world is a member of its region's district; the districts comprise Rotary International, which was established to provide oversight and administration for all Rotary clubs. Each district maintains an advisory board ("The District Council") to provide oversight and administration for the district.

Subsequent Events:

The District has evaluated events and transactions for potential recognition or disclosure in the financial statements through April 23, 2020, the date the financial statements were available to be issued.

Cash:

Cash in financial institutions potentially subjects the District to concentrations of credit risk, since it may exceed insured limits at various times throughout the year.

Accounts Receivable:

Accounts receivable represent outstanding club assessments and event fees and are stated at the amount the District expects to collect from balances outstanding at year end. The District has determined realization losses on balances outstanding at year end are not significant based upon an assessment of recent histories and current relationships.

Deferred Revenue:

Revenue from conferences, program events, and other activities is deferred and recognized in the period the related activity occurs.

Club Assessments:

Club assessments represent annual fees billed to participating Rotary clubs and are recognized annually based upon the District's fiscal year.

District Grants:

The District receives funds from Rotary Foundation to be granted to participating Rotary clubs to support a specific mission. Revenue is recognized upon the approval of the recipient club's grant. Any unspent funds at the end of the year must be returned to Rotary Foundation. Unspent funds are included in accrued expenses on the balance sheets and amounted to \$20,324 and \$19,198 at June 30, 2019 and 2018.

Tax Status:

The District is a subunit of Rotary International which operates as a 501(c)(4) organization exempt from taxation under Section 501(a) of the Internal Revenue Code.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Donated Services:

Members contribute their time to further the achievement of the District's objectives by helping with its various programs and events. These services do not meet the criteria for accounting recognition under accounting principles generally accepted in the United States of America.

Foreign Currency Translation:

The 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 year-end date. Gains and losses on transactions are reflected in the statement of activities of the period.

2. Advance to Rotary International Convention Host Committee:

Advances outstanding at June 30, 2018 represent a non-interest bearing, forgivable loan to the 2018 Rotary International Convention Host Committee, which was repaid in 2019.

3. Rotary District 7090 Youth Exchange Program, Inc.:

Rotary District 7090 Youth Exchange Program, Inc. (the Program) is a 501(c)(3) organization exempt from taxation under Section 501(a) of the Internal Revenue Code. The Program was established to provide students the opportunities to live in a foreign country on a temporary basis to encourage the cultural and educational development of such participating students.

The Board of Directors of the District has members in common with the Program. The District recognized \$4,600 and \$10,400 of District Conference and program events revenue from the Program in 2019 and 2018.

4. Financial Assets Available for Operations:

The District obtains financial assets generally through club assessments, program events and training and an annual conference. The financial assets are acquired throughout the year to help meet the District's cash needs for general expenditures. The District's financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consist of the following at June 30, 2019 and 2018:

	2019	2018
Cash	\$ 303,300	\$ 207,565
Accounts receivable	43,140	7,925
Advance to Rotary International Convention Host Committee	-	37,969
	<u>\$ 346,440</u>	<u>\$ 253,459</u>

5. Risks and Uncertainties:

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease included limiting or closing many businesses and resulted in a severe disruption of operations for organizations. Financial markets also experienced a significant decline in value. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on further developments, including the duration and spread of the outbreak, impact on Rotary activities and vendors all of which cannot be predicted.

6. Expenses by Nature and Function:

	2019	Program	Management and General	Total
District Conference and program events	\$ 94,421	\$ 3,190	\$ 97,611	
Grants	39,165	-	39,165	
Professional services	-	38,421	38,421	
Office and other expenses	32,059	35,818	67,877	
Training	14,848	246	15,094	
Public relations and communication	-	12,092	12,092	
	<u>\$ 180,493</u>	<u>\$ 89,767</u>	<u>\$ 270,260</u>	
	2018	Program	Management and General	Total
District Conference and program events	\$ 160,637	\$ 221	\$ 160,858	
Grants	52,227	-	52,227	
Professional services	-	23,800	23,800	
Office and other expenses	22,783	38,913	61,696	
Training	18,944	-	18,944	
Public relations and communication	-	13,369	13,369	
	<u>\$ 254,591</u>	<u>\$ 76,303</u>	<u>\$ 330,894</u>	

The financial statements report certain categories of expenses that are attributable to program and supporting functions, which are directly charged to the function benefited.

**INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION**

The District Council
Rotary International District 7090

We have audited the financial statements of Rotary International District 7090 as of and for the years ended June 30, 2019 and 2018, and have issued our report thereon dated April 23, 2020, which expressed an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of expenses on page 8 are presented for the purpose of additional analysis and are 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 audits 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.



April 23, 2020

**Additional Information
Schedules of Expenses**

For the years ended June 30,	2019	2018
District Conference and program events		
District Conference	\$ 28,377	\$ 71,575
Program events	69,234	89,283
	<u>97,611</u>	<u>160,858</u>
Grants	39,165	52,227
Professional services		
Administrative support	18,600	18,600
Finance, audit, and legal	19,821	5,200
	<u>38,421</u>	<u>23,800</u>
Office and other expenses		
Insurance	22,147	22,230
District Governor reimbursements	19,621	19,183
Phone and technology	9,470	9,287
Meetings, supplies, and other	16,639	10,996
	<u>67,877</u>	<u>61,696</u>
Training		
District Governor	2,039	4,760
District Governor Elect	3,605	3,398
District Governor Nominee	2,857	4,311
District training	6,347	6,475
Awards and recognition	246	-
	<u>15,094</u>	<u>18,944</u>
Public relations and communication		
Promotional	7,771	10,006
Newsletters and other	4,321	3,363
	<u>12,092</u>	<u>13,369</u>
Total expenses	\$ 270,260	\$ 330,894