

October 20, 2017

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, 2017 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 August 8, 2017. 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. 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 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. The District Council has agreed to and recorded all adjustments for the year ended June 30, 2017.

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

A handwritten signature in blue ink that reads "Lyndon & McCormick, LLP". The signature is written in a cursive, flowing style.

October 20, 2017

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, 2017, 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.

### **RECOMMENDATION**

#### **Bank Statements**

The accounting functions of the District are handled by essentially one individual. While we understand the nature of a volunteer organization, proper levels of review and approval is a key component of proper internal controls in such organizations. We 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.

We also noted during our audit certain bank accounts and related transaction support is not provided to the District Treasurer in a timely fashion to properly reconcile and record the activity. We recommend the District implement procedures to allow the Treasurer to timely record and reconcile the account activity.

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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, 2017**

## INDEPENDENT AUDITORS' REPORT

The District Council  
Rotary International District 7090

We have audited the accompanying balance sheet of Rotary International District 7090 (the District) as of June 30, 2017, and the related statements of activities and cash flows 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 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 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 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



October 20, 2017

ROTARY INTERNATIONAL DISTRICT 7090

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**Balance Sheet**

June 30, 2017

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**Assets**

Cash	\$ 223,704
Prepaid expenses	23,760
Advance to Rotary International Convention Host Committee (Note 2)	<u>37,313</u>
	<u>\$ 284,777</u>

**Liabilities and Net Assets**

**Current liabilities:**

Accounts payable and accrued expenses	\$ 68,661
Deferred revenue	<u>2,215</u>
	<u>70,876</u>

**Net assets - unrestricted**

213,901

\$ 284,777

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**Statement of Activities**

For the year ended June 30, 2017

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**Changes in unrestricted net assets:**

Revenue:

Club asesements	\$ 111,235
District conference	46,401
Program events and training	91,574
District grants	45,899
Other income	11,816
Total unrestricted revenue and other support	<u>306,925</u>

Expenses:

Administration	42,140
Directors and committees	41,270
District conference	43,261
District grants	45,899
Program events	100,285
Training	17,492
Other expenses	4,493
Total expenses	<u>294,840</u>

<b>Change in net assets</b>	<b>12,085</b>
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Net assets - beginning	<u>201,816</u>
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Net assets - ending	<u>\$ 213,901</u>
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**Statement of Cash Flows**

For the year ended June 30, 2017

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**Operating activities:**

Change in net assets	\$ 12,085
Net change in other current assets and current liabilities:	
Prepaid expenses	(12,868)
Advance to Rotary International Convention Host Committee	(37,313)
Accounts payable and accrued expenses	41,759
Deferred revenue	(534)

**Net operating activities** 3,129

**Investing activities:**

Proceeds from sale of a 12 month certificate of deposit	<u>86,731</u>
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Net change in cash 89,860

Cash - beginning 133,844

Cash - ending \$ 223,704

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**Notes to Financial Statements**

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**1. Summary of Significant Accounting Policies:**

**Organization:**

Rotary International District 7090 (the District) is not-for-profit 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 October 20, 2017, 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.

**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 recognized annually based upon the District's fiscal year.

**District Grants:**

The District receives funds from Rotary International 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 International. Unspent funds are recorded in accrued expenses on the balance sheet and amount to \$34,889 at June 30, 2017.

**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. Advances to Rotary International Host Committee:**

Amounts outstanding at June 30, 2017 represents a non-interest bearing, forgivable loan to the 2018 Rotary International Convention Host Committee which is expected to be repaid by December 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. There were no transactions between the organizations during 2016.

**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 year ended June 30, 2017, and have issued our report thereon dated October 20, 2017, which expressed an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of selected expenses on page 8 is presented for the purpose 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.



October 20, 2017

**Additional Information**  
**Schedule of Selected Expenses**

For the year ended June 30, 2017

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**Administration**

Office, website, and other	\$ 29,629
District Governor expense reimbursements	11,345
District Council	1,166
	<u>\$ 42,140</u>

**Directors and committees**

Standing committees:	
Finance and audit	\$ 5,994
Insurance	22,406
Public relations and communication	7,561
Rotary Foundation	745
Other	4,564
	<u>\$ 41,270</u>

**Training**

Awards and recognition	\$ 355
District Governor	4,785
District Governor Elect	6,050
District Governor Nominee	2,747
District training	3,555
	<u>\$ 17,492</u>

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