

January 6, 2021

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, 2020, 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.

RECOMMENDATIONS

Included in our current year procedures is an update to the status of recommendations made in our previous audits. The points which follow are a summary of previous recommendations.

We continue to recommend the following:

- Establish monthly financial close procedures to ensure all transactions are timely processed and recorded in the general ledger.
- 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.
- Bank statement and reconciliations, 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 are pleased to report the District has updated its procedures to adhere to certain tax filing compliance, such as filing Form 1099-MISC as needed.

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 this specified party.



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Lumsden & McCormick, LLP

ROTARY INTERNATIONAL DISTRICT 7090

FINANCIAL STATEMENTS

JUNE 30, 2020

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, 2020 and 2019, 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 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, 2020 and 2019, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



January 6, 2021

ROTARY INTERNATIONAL DISTRICT 7090

Balance Sheets

June 30,	2020	2019
Assets		
Current assets:		
Cash	\$ 324,240	\$ 303,300
Accounts receivable	-	43,140
Prepaid expenses and other assets	8,554	5,380
	<u>\$ 332,794</u>	<u>\$ 351,820</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 52,640	\$ 97,824
Deferred revenue	90	3,690
	<u>52,730</u>	<u>101,514</u>
Net assets without donor restrictions	<u>280,064</u>	<u>250,306</u>
	<u>\$ 332,794</u>	<u>\$ 351,820</u>

Statements of Activities

For the years ended June 30,	2020	2019
Net assets without donor restrictions		
Revenue and other support:		
Club assessments	\$ 115,801	\$ 122,489
District Conference	6,470	32,109
Program events and training	13,214	78,325
District grants	72,642	39,122
Other income	13,799	17,303
Total revenue and other support	<u>221,926</u>	<u>289,348</u>
Expenses:		
Program	110,669	180,493
Management and general	81,499	89,767
Total expenses	<u>192,168</u>	<u>270,260</u>
Change in net assets	29,758	19,088
Net assets - beginning	<u>250,306</u>	231,218
Net assets - ending	<u>\$ 280,064</u>	<u>\$ 250,306</u>

ROTARY INTERNATIONAL DISTRICT 7090

Statements of Cash Flows

For the years ended June 30,	2020	2019
Operating activities:		
Change in net assets	\$ 29,758	\$ 19,088
Net change in other current assets and current liabilities:		
Accounts receivable	43,140	(35,215)
Advance to Rotary International Convention Host Committee	-	37,969
Prepaid expenses and other assets	(3,174)	-
Accounts payable and accrued expenses	(45,184)	74,290
Deferred revenue	(3,600)	(397)
	<hr/>	<hr/>
Net operating activities (change in cash)	20,940	95,735
	<hr/>	<hr/>
Cash - beginning	303,300	207,565
	<hr/>	<hr/>
Cash - ending	\$ 324,240	\$ 303,300

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.

New Accounting Standards Adopted:

In 2020, the District adopted two new comprehensive revenue recognition models under Financial Accounting Standards Board (FASB) Accounting Standards Updates (ASU).

ASU 2014-09, *Revenue from Contracts with Customers*, requires an organization to recognize revenue from exchange transactions to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services.

ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, addresses the differences between contributions and exchange transactions including guidance on timing and revenue recognition.

The adoption of these standards did not impact the District's recognition of revenue and related accounts.

Subsequent Events:

The District has evaluated events and transactions for potential recognition or disclosure in the financial statements through January 6, 2021, 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.

Revenue Recognition:

Club Assessments

Club assessments represent annual fees billed to participating Rotary clubs and provide a variety of benefits to the clubs over the course of the District's fiscal year. Revenue from club assessments is recognized annually over the course of the District's fiscal year and payments are due generally in a short period of time after billing.

Conferences, Events, and Training

Conference, events, and training revenue mainly represents registration fees for District events and activities. Revenue is recognized when the event or activity occurs, at which time payment is due. Registration fees collected in advance are recognized as deferred revenue until the event or activity occurs.

District Grants

The District receives funds from The Rotary Foundation of Rotary International (Rotary Foundation) to be granted to participating Rotary clubs to support a specific mission. Rotary Foundation offers grants to Rotary International's approximately 36,000 clubs across the globe to develop and carry out sustainable humanitarian projects and provide scholarships and professional training opportunities that promote peace, fight disease, provide clean water, sustain mothers and children, improve education, and strengthen local economies. Revenue (and related expense) 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 \$12,792 and \$20,324 at June 30, 2020 and 2019.

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 accordance 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.

Foreign Currency Translation and Related:

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. Cash balances held in Canadian bank accounts totaled \$166,918 (USD) and \$139,963 (USD) as of June 30, 2020 and 2019.

2. 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 \$3,000 and \$4,600 of District Conference and program events revenue from the Program in 2020 and 2019.

3. 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:

	<u>2020</u>	<u>2019</u>
Cash	\$ 324,240	\$ 303,300
Accounts receivable	-	43,140
	<u>\$ 324,240</u>	<u>\$ 346,440</u>

4. 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.

Specifically, in-person program events, training, and conferences normally held by the District were cancelled from March 2020 through at least early 2021. 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 participating Rotary clubs, activities and vendors all of which cannot be predicted.

5. Expenses by Nature and Function:

2020	Program	Management and General	Total
District Conference and program events	\$ 10,954	\$ -	\$ 10,954
Grants	72,642	-	72,642
Professional services	-	38,989	38,989
Office and other expenses	24,510	34,840	59,350
Training	2,563	1,002	3,565
Public relations and communication	-	6,668	6,668
	\$ 110,669	\$ 81,499	\$ 192,168

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
	\$ 180,493	\$ 89,767	\$ 270,260

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, 2020 and 2019, and have issued our report thereon dated January 6, 2021, 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 9 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.



January 6, 2021

**Additional Information
Schedules of Expenses**

For the years ended June 30,	2020	2019
District Conference and program events		
District Conference	\$ 5,891	\$ 28,377
Program events	5,063	69,234
	<u>10,954</u>	<u>97,611</u>
Grants	72,642	39,165
Professional services		
Administrative support	24,000	18,600
Finance, audit, and legal	14,989	19,821
	<u>38,989</u>	<u>38,421</u>
Office and other expenses		
Insurance	21,217	22,147
District Governor reimbursements	18,203	19,621
Phone and technology	8,991	9,470
Meetings, supplies, and other	10,939	16,639
	<u>59,350</u>	<u>67,877</u>
Training		
District Governor	203	2,039
District Governor Elect	1,598	3,605
District Governor Nominee	-	2,857
District training	750	6,347
Awards and recognition	1,014	246
	<u>3,565</u>	<u>15,094</u>
Public relations and communication		
Promotional	2,352	7,771
Newsletters and other	4,316	4,321
	<u>6,668</u>	<u>12,092</u>
Total expenses	\$ 192,168	\$ 270,260

February 6, 2021

To: Robert Artis
Past District Governor, District 7090

Re: Supplement to the 2019-2020 Annual Statement and
Report of District Finances

At your request, Jim Howden and I have reviewed that portion of the Rotary International By-Laws and Policies dealing with receipts and expenditures of the District Governor, specifically 16.060.4. *Annual Statement and Report of District Finances*.

The Sub-sections of the annual financial statement required the following:
This annual statement and report shall include but not be limited to details of:
(a) all sources of the districts funds (Rotary International, The Rotary Foundation, district and club);
(b) all funds received by or on behalf of the district from fundraising activities;
(c) grants received from The Rotary Foundation or funds of The Rotary Foundation designated by the district for use;
(d) all financial transactions of district committees;
(e) all financial transactions of the governor by or on behalf of the district;
(f) all expenditures of the district=s funds; and
(g) all funds received by the governor from Rotary International

Our review covered sub-sections (e) and (g), having to do with the District Governor expenses and income from all sources. The documents consisting of receipts for meals, communication costs for mobility cell and Internet, lodging, travel including mileage records, and expenses during club visitations, and for seminars and conferences. These receipts were provided by the District Office and you. This review does not cover the Revenue and Expenses listed in the Annual Independent Auditor's Statement of Operations.

Rotary International's and your records indicated the sources of income to you from Rotary International for your expenses in preparation for and while you were District Governor 2019 to 2020 was a maximum of \$14,050. Rotarian James Howden and I reviewed your expense summary. Invoices over \$ 75 had back up receipts. There were unlocated utility invoices for cell phone, Internet, and landline (Verizon). There were no records for a portion of 2018 - 2019 and the entire 2018 year. In addition, a portion of 2019 invoices were from Spectrum and a previous month's charges were included. Because these unavailable entries were utility invoices from Verizon and Spectrum, using the previous month's billings would be a fair estimate of charges. The final total expense figure from your District Governor Expense Statement was calculated to be \$ 14,574, higher than the maximum allowed.

The expenses consisted of the following:

Mileage - \$ 3957.

Cell phone, landline, and Internet

- Verizon during your time as DGN ($\$134 * 18$) = \$ 2412

Meals, printing, postage, telephone, Internet, and lodging - \$ 3813,

Training - Zone - \$961

International Convention - \$ 912

Club President dinners - \$ 1,518.

Governor=s Awards - \$1,001

Total expenses - \$ 14,574

Remuneration amount:

Rotary International - \$ 14,050

The maximum allocation of \$ 14,050 was the actual reimbursement.

Please contact me with any questions or comments.

Yours in Rotary Service,

Wallace J. Ochterski, PE
Audit SubCommittee