

ROTARY INTERNATIONAL DISTRICT 5520, INC.

FINANCIAL STATEMENTS

For the Year Ended June 30, 2017 and 2016

and Independent Accountants' Review Report

ROTARY INTERNATIONAL DISTRICT 5520, INC.
For the Years Ended June 30, 2017 and 2016

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Beasley, Mitchell & Co.

Certified Public Accountants

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Rotary International District 5520, Inc.
Albuquerque, New Mexico

We have reviewed the accompanying financial statements of Rotary International District 5520, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017 and 2016, and the related statement of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

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

Supplementary Information

The supplementary information included in Page 15 and is presented for purposes of additional analysis and is not a required part of the basic 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 supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Beasley Mitchell & Co LLP
Beasley, Mitchell & Co., LLP
October 13, 2017

ROTARY INTERNATIONAL DISTRICT 5520, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 134,537	149,484
Restricted Cash	80,000	53,086
Accounts receivable (note 2)	<u>4,800</u>	<u>8,123</u>
TOTAL ASSETS	<u>219,337</u>	<u>\$ 210,693</u>
 LIABILITIES AND NET ASSETS		
Accounts payable (note 3)	<u>33,500</u>	<u>19,011</u>
TOTAL LIABILITIES	33,500	19,011
 NET ASSETS		
Unrestricted net assets	141,017	138,596
Restricted net assets	<u>44,820</u>	<u>53,086</u>
TOTAL NET ASSETS	<u>185,837</u>	<u>191,682</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 219,337</u>	<u>\$ 210,693</u>

See independent accountants' review report and accompanying notes.

ROTARY INTERNATIONAL DISTRICT 5520, INC.
STATEMENT OF ACTIVITIES
For the Years Ended June 30, 2017 and 2016

UNRESTRICTED NET ASSETS

	2017	2016
REVENUE AND SUPPORT		
PETS revenue	\$ 13,305	\$ 12,610
Rio Grande Academy	2,270	4,943
District Convention	45,014	47,176
Bi-District Conference	7,823	6,062
Donations	3,800	17,660
District Public Support	7,235	-
Membership revenue	74,370	76,530
Other revenue	1,838	727
Net assets released from restriction	257,660	224,455
TOTAL REVENUE AND SUPPORT	413,315	390,163
EXPENSES		
Program services	364,982	325,179
Management and general	45,912	41,974
TOTAL FUNCTIONAL EXPENSES	410,894	367,153
CHANGE IN UNRESTRICTED NET ASSETS	2,421	23,010
TEMPORARILY RESTRICTED NET ASSETS		
Youth Exchange program Income	28,979	21,909
RYLA revenue	131,741	127,416
Grant revenue	88,674	66,953
Net assets released from restriction	(257,660)	(224,455)
CHANGE IN RESTRICTED NET ASSETS	(8,266)	(8,177)
CHANGE IN NET ASSETS	(5,845)	14,833
Net assets, beginning of year	191,682	176,849
Net assets, end of year	\$ 185,837	\$ 191,682

See independent accountants' review report and accompanying notes.

ROTARY INTERNATIONAL DISTRICT 5520, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

	<u>Program services</u>	<u>Management and general</u>	<u>Total expenses</u>
Youth exchange expenses	\$ 33,472	\$ -	\$ 33,472
RYLA expenses	123,379	-	123,379
District grant expenses	100,808	-	100,808
Rio Grande Academy expense	1,470	163	1,633
Bank charges	4	1	5
Miscellaneous expense	-	1,779	1,779
District Assembly	6,367	-	6,367
Dues and subscriptions	270	30	300
District Secretary expenses	-	23,032	23,032
District convention	59,446	-	59,446
Bi-District conference	7,961	-	7,961
PR and marketing	3,960	-	3,960
Office expense	-	74	74
Postage and shipping	56	6	62
Event registration expenses	1,947	-	1,947
District Governors expenses	-	20,638	20,638
Supplies	1,411	157	1,568
Telephone	285	32	317
Training	24,146	-	24,146
	<u>364,982</u>	<u>45,912</u>	<u>410,894</u>
 TOTAL FUNCTIONAL EXPENSES	 <u>\$ 364,982</u>	 <u>\$ 45,912</u>	 <u>\$ 410,894</u>

See independent accountants' review report and accompanying notes.

ROTARY INTERNATIONAL DISTRICT 5520, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

	<u>Program services</u>	<u>Management and general</u>	<u>Total expenses</u>
Youth Exchange Expenses	\$ 34,014	\$ -	\$ 34,014
RYLA Expenses	123,557	-	123,557
District Grant Expenses	66,884	-	66,884
Rio Grande Academy expense	2,831	315	3,146
Bank charges	27	3	30
PR and marketing	2,521	-	2,521
Dues and subscriptions	81	9	90
District Secretary expenses	-	19,845	19,845
Bi-District conference	5,487	-	5,487
District convention	65,220	-	65,220
Fixed asset write off expense	-	5,213	5,213
Office expense	-	230	230
Miscellaneous	-	31	31
Postage and shipping	222	25	247
Event registration expenses	2,592	-	2,592
District Governors expenses	-	16,245	16,245
Supplies	271	41	312
Telephone	150	17	167
Training	<u>21,322</u>	<u>-</u>	<u>21,322</u>
 TOTAL FUNCTIONAL EXPENSES	 <u>\$ 325,179</u>	 <u>\$ 41,974</u>	 <u>\$ 367,153</u>

See independent accountants' review report and accompanying notes.

ROTARY INTERNATIONAL DISTRICT 5520, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
NET CHANGE IN NET ASSETS	\$ (5,845)	\$ 14,833
ADJUSTMENTS TO RECONCILE NET CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
(Increase) decrease in assets		
Accounts receivable	3,323	(8,123)
Prepaid expenses	-	3,346
Loss on equipment disposal	-	5,213
Increase (decrease) in liabilities		
Accounts payable	14,489	(94,272)
TOTAL ADJUSTMENTS	17,812	(93,836)
NET CASH PROVIDED BY OPERATING ACTIVITIES	11,967	(79,003)
Net increase in cash and cash equivalents	11,967	(79,003)
Cash and cash equivalents, beginning of year	202,570	281,573
Cash and cash equivalents, end of year	\$ 214,537	\$ 202,570

See independent accountants' review report and accompanying notes.

ROTARY INTERNATIONAL DISTRICT 5520, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Rotary International District 5520, Inc., (the Organization), is a not-for-profit organization, connects leaders, links diverse perspectives and builds lasting relationships to take action in our communities, at home, and around the globe. The organization directs their efforts in six areas to enhance our local and global impact. Our most successful and sustainable projects and activities tend to fall within the following areas: promoting peace; fighting disease; providing clean water; saving mothers and children; supporting education; and, growing local economies.

Rotary International District 5520, Inc. was formed on July 1, 1994, and is a affiliated with Rotary International. The organization's mission is to encourage and foster the ideals of service.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) establishes GAAP, which are contained in the Accounting Standards Codification (ASC).

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

See independent accountants' review report.

ROTARY INTERNATIONAL DISTRICT 5520, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are reported in this class if the donor limited their use, as are promised contributions that are not yet due. The Organization does not have any temporarily restricted net assets for the year ended June 30, 2016.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

Permanently restricted net assets are resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The Organization does not have any permanently restricted net assets.

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 and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to a concentration of credit risk consists primarily of cash. The Organization maintains cash deposits in banks which from time to time exceed the amount of federal insurance available. Management assesses the financial condition of these banks and believes that the possibility of any credit loss is minimal.

See independent accountants' review report.

ROTARY INTERNATIONAL DISTRICT 5520, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, Rotary International District 5520, Inc. considers all short-term debt securities with original maturities of three months or less to be cash equivalents, as well as amounts deposited in money funds and checking accounts.

Accounts and Grants Receivable

Accounts and grants receivable are stated at net realizable value. In determining whether or not to record an allowance for doubtful accounts, management makes a judgmental determination based on an evaluation of the facts and circumstances related to each account.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the estimated market value at the time of donation. Depreciation is computed by using the straightline basis over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is recognized as revenue or expense for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. The organization does not have any property, plant and equipment.

Long-Lived Assets

Long-lived assets held and used by Rotary International District 5520, Inc. are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

See independent accountants' review report.

ROTARY INTERNATIONAL DISTRICT 5520, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Support Recognition

The Organization recognizes membership fees and dues as revenue when earned. Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Contributions and Membership Receivables

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

The Organization considers contributions and memberships receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

See independent accountants' review report.

ROTARY INTERNATIONAL DISTRICT 5520, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Expenses

The cost of providing Rotary International District 5520, Inc. programs and other activities is summarized on a functional basis in the schedule of functional expenses. Expenses that can be identified with a specific program or support services are charged directly to that program or support service. Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of Rotary International District 5520, Inc.

Income Taxes

Rotary International District 5520, Inc. is exempt from federal and state income taxation under section 501(c)(4) of the Internal Revenue Code (IRC). There was no unrelated business income for the year ended June 30, 2017. The Organization has been classified by the Internal Revenue Service as other than private foundation. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statement.

Subsequent Events

Management has evaluated subsequent events through October 13, 2017, the date the financial statements were available to be issued.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. Total and net are unchanged due to these reclassifications.

See independent accountants' review report.

ROTARY INTERNATIONAL DISTRICT 5520, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
2. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30, 2017:

RYLA	\$ <u>4,800</u>
Total	\$ <u><u>4,800</u></u>

3. ACCOUNTS PAYABLE

Accounts payable consist of the following at June 30, 2017:

Manzano Mountain Retreat (RYLA)	\$ 31,700
Rotary International (PHFs)	<u>1,800</u>
Total	\$ <u><u>33,500</u></u>

See independent accountants' review report.

SUPPLEMENTARY INFORMATION

ROTARY INTERNATIONAL DISTRICT 5520, INC.
Governors Expense Allocation
For the Year Ended June 30, 2017 and 2016

Governors Expense Allocation

The District Governor receives an approved Allocation amount annually from Rotary International. The allocation is directly paid out to the District Governor and is not passed through the Rotary District 5520 books. Although Rotary International approved \$31,668 of expenses, the payment was capped at \$31,516 maximum allocation. In the year ended June 30, 2017 the Governor’s allocation totaled \$31,668. Below is a summary of Governor’s allocation:

Expense	Claimed amount	Approved amount	Amount is not approved by RI
Business Cards	75	75	-
Lodging	6,347	6,299	48
Meals	3,439	3,193	246
Mileage	12,159	12,079	80
Multicopies	431	431	-
Postage	1,171	919	252
Registration	1,920	805	1,115
Stationery	688	688	-
Telephone/Fax	1,650	1,650	-
Transportation	827	424	403
Other	<u>5,317</u>	<u>5,105</u>	<u>212</u>
	<u><u>34,024</u></u>	<u><u>31,668</u></u>	<u><u>2,356</u></u>

In the year ended June 30, 2017, the Governor submitted requests for \$34,024, however, Rotary International did not increase the approved balance.

See independent accountants' review report.