

Rotary International District 5340

**Financial Statements
And
Independent Auditor's Report**

**For the Year Ended
June 30, 2015**

James M. Colville CPA 

Rotary International District 5340

**For the Year Ended
June 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

The District Governor
Rotary International District 5340
San Diego, California

I have audited the accompanying financial statements of Rotary International District 5340 (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rotary International District 5340 as of June 30, 2015, 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.

Other Matter

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of Detailed Schedule of Expenses is presented for purposes 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



San Diego, California
December 15, 2015

Rotary International District 5340

Statement of Financial Position

as of June 30, 2015

Assets

Current Assets

Cash and cash equivalents	\$ 157,509
Accounts receivable	3,351
Deposits	15,280
Total Current Assets	<u>176,140</u>

Property and equipment, net (Note 3)	1,249
Intangible assets, net (Note 3)	4,007
Total Assets	<u><u>\$ 181,396</u></u>

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	\$ 1,586
Deferred revenue	8,445
Total Current Liabilities	<u>10,031</u>

Net Assets

Unrestricted	12,930
Temporarily Restricted (Note 5)	158,435
Total Net Assets	<u>171,365</u>

Total Liabilities And Net Assets	<u><u>\$ 181,396</u></u>
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See Notes to Financial Statements and Independent Auditor's Report

Rotary International District 5340

Statement of Activities

For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Rotary club dues	\$ 145,802	\$ -	\$ 145,802
Youth program income	169,872	-	169,872
District event income	103,461	2,316	105,777
District grant community service	109,053	-	109,053
Other income	12,727	-	12,727
Rotary International reimbursement	11,686	-	11,686
Net assets released from restrictions	1,910	(1,910)	-
Total Support and Revenue	\$ 554,511	\$ 406	\$ 554,917
 Expenses			
Program Services			
Club	\$ 186,743	\$ -	\$ 186,743
International	24,617	-	24,617
Youth	160,794	-	160,794
Community	109,053	-	109,053
Total Program Expenses	481,207	-	481,207
Administrative and management	38,576	-	38,576
Total Expenses	519,783	-	519,783
Increase in Net Assets	34,728	406	35,134
Net Assets at Beginning of Year	123,707	12,524	136,231
Net Assets at End of Year	\$ 158,435	\$ 12,930	\$ 171,365

See Notes to Financial Statements and Independent Auditor's Report

Rotary International District 5340

Statement of Cash Flows

For the Year Ended June 30, 2015

Cash Flows From Operating Activities

Increase in net assets	\$ 35,134
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:	
Depreciation expense	1,078
Amortization expense	8,274
(Increase) Decrease in:	
Accounts receivable	8,353
Deposits	(12,546)
Increase (Decrease) in:	
Accounts payable and accrued expenses	(20,296)
Deferred revenue	8,445
Agency funds payable	(10,000)
Cash Provided by Operating Activities	<u>18,442</u>
Net Increase in Cash and Cash Equivalents	18,442
Cash and Cash Equivalents, Beginning of Year	139,067
Cash and Cash Equivalents, End of Year	<u><u>\$ 157,509</u></u>

See Notes to Financial Statements and Independent Auditor's Report

Rotary International District 5340

Notes to Financial Statements

For the Year Ended June 30, 2015

NOTE 1 NATURE OF OPERATIONS

Rotary International District 5340 (the "District") is an unincorporated association formed in 1941. The District is a nonprofit entity exempt from Federal and State income taxes under Section 501(c)(4) of the Internal Revenue Code (IRC) and Section 23701(d) of the California Revenue and Taxation Code (California Code) and is classified as a social welfare organization. Rotary International District 5340 is an administrative district of Rotary International. As a volunteer organization, The District provides support to 66 member clubs in Southern California and humanitarian service locally and internationally. Rotary International is a worldwide organization of business and professional leaders that promotes community service and high ethical standards in business and the professions. The District is supported primarily by dues from member clubs, participation fees from Rotarian members, and grants and reimbursements from Rotary International and The Rotary Foundation.

As a regional district of Rotary International, which is a 501(c)(4) exempt entity, the District derives its tax-exempt status as a component of Rotary International.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the preparation of the District's financial statements:

Basis of Accounting

The financial statements of the District are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The financial statements are presented in conformity with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the District and changes therein are classified and reported as follows:

- **Unrestricted** net assets are those currently available, at the discretion of the District treasurer and management, for use in the District's operations.
- **Temporarily restricted** net assets are those that are stipulated by donors for specific operating purposes, special programs, or for capital projects. Temporarily restricted amounts include contributions restricted by donors and the Flag Court Project.
- **Permanently restricted** net assets are generally reserved for situations when donors make permanent endowments.

As of June 30, 2015, the District did not have any permanently restricted net assets.

Rotary International District 5340
Notes To Financial Statements (Continued)
For the Year Ended June 30, 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is limited by donors or by law. If an expense is incurred for a purpose for which temporarily restricted net assets are available, a donor-imposed restriction is fulfilled to the extent of the expense incurred. Temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions in the statement of activities, when the donor restriction expires.

Cash and Cash Equivalents

The District considers all cash on deposit with an original maturity of three months or less at the date of deposit to be cash equivalents. These assets are valued at amortized cost, which approximates fair value.

Concentration of Credit Risk

The District maintains its cash and cash equivalents in commercial banks in the United States which are insured by the Federal Deposit Insurance Corporation (FDIC) which, at times, may reach or exceed Federally insured limits. The District has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

Accounts Receivable

Accounts Receivable is comprised of amounts due from Rotary International which represents a grant, as well as allocations for the District to support the District governor's expenses. No allowance for doubtful accounts was established for the year ending June 30, 2015 as management believes that the amounts are fully collectible. There was no bad debt expense for the year ending June 30, 2015.

Property and Equipment

Purchases of furniture, fixtures, and equipment, or additions to website development costs, of more than \$1,000 are capitalized at cost and depreciated or amortized over five to ten years using principally the straight-line method. Expenditures for maintenance and repairs are charged to expense as incurred. Donated assets are capitalized at the estimated fair market value at the date of the gift.

Asset Impairment Assessment

The District regularly evaluates its tangible and intangible assets for indicators of possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If management determines that impairment has occurred, a loss is recognized based on the difference between the assets' carrying values over their estimated fair values. Based on its review, management does not believe that any impairment has occurred as of June 30, 2015.

Rotary International District 5340
Notes To Financial Statements (Continued)
For the Year Ended June 30, 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of Revenue

Contributions are recognized as revenue in the period when cash or unconditional promises-to-give have been received, or ownership of donated assets is transferred to the District. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met. Any non-cash gifts that the District may receive are recorded as support at the estimated fair market value on the date of the gift. Resources given to the District that do not have an objective basis for valuation are not recorded. All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions. The District's policy, when temporarily restricted contributions are received and expended within the same accounting period, is to record such transactions as temporarily restricted contributions and net assets released from restrictions.

Income Taxes

The District is exempt from Federal and State of California income taxes under IRC Section 501(c)(4) and California Section 23701(d). In addition to being exempt from filing nonprofit information returns, nonprofit organizations are potentially subject to Federal and State income taxes on activities unrelated to their tax-exempt purpose. The District is not aware of any such activities that it may have engaged in during the year ended June 30, 2015. Accordingly, no provision for income taxes is made in the accompanying financial statements.

The District has not taken an uncertain tax position that would require provision of a liability or disclosure in the financial statements. The District has filed all applicable information returns in all jurisdictions.

Use of Estimates

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates under different assumptions or conditions.

Contributed Services

Many volunteers have contributed significant amounts of their time to activities of the District. The value of the contributed services is not recognized in the financial statements, since it does not meet the criteria for recognition as a contribution.

Functional Expenses

The District allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by the District's management.

Rotary International District 5340
Notes To Financial Statements (Continued)
For the Year Ended June 30, 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

The District does not expect the adoption of any recent accounting pronouncements to have a material effect on the District's net assets or statement of activities.

NOTE 3 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Property and equipment consist of the following as of June 30, 2015:

Furniture, fixtures, and equipment	\$ 9,736
Accumulated depreciation	(8,487)
Net Buildings and Equipment	<u>\$ 1,249</u>
Intangible Assets	
Website development costs	\$ 31,685
Accumulated amortization	(27,678)
Net Intangible Assets	<u>\$ 4,007</u>

Depreciation and amortization expense for the year ended June 30, 2015 was \$1,078 and \$8,274, respectively.

NOTE 4 CONCENTRATIONS

The District's primary source of income consists of contributions from club members and regular attendees. Contributions constituted approximately 90% of the District's revenue for the year ended June 30, 2015. A reduction in support, if it were to occur, could have a severe impact on the District and its ability to continue operations. The District's market is concentrated in the County of San Diego, California.

NOTE 5 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of Flag Court funds that have been restricted by donors as of June 30, 2015. The Rotary Flag Court was dedicated on April 8, 2005 as a Centennial Project for Rotary District 5340.

Since inception, approximately \$179,000 in donations have been received from District 5340 Rotarians and their Rotary Clubs to fund the construction of the flag court, including "Rotary Flag Court" signage and two wall-mounted plaques depicting the Object of Rotary and the 4-Way Test. Individual donors (Rotary Clubs and Rotarians) also received name recognition on individual flagpole plaques for their donations. From these funds, \$100,000 was paid to the San Diego Padres baseball club for use and naming of the Rotary Flag Court. Residual funds are used for the purchase of the plaques, the Rotary flags, and as a reserve for ticket operations.

Rotary International District 5340
Notes To Financial Statements (Continued)
For the Year Ended June 30, 2015

NOTE 5 TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

The current configuration of flagpoles is: three large center poles, which fly the U.S., California State, and Padres or Rotary flags. Behind the three large poles are five smaller poles flying the flags of the five branches of the Military (Army, Air Force, Navy, Marines, Coast Guard). At the perimeter are fifteen smaller poles flying the flags of the individual MLB teams grouped by the three divisions.

In addition to maintaining the signage in perpetuity, the San Diego Padres baseball club has agreed to set aside six Rotary group events per year (one per month during the baseball season), whereby Rotarians are offered discounted tickets and are given opportunities for on-field, scoreboard, and additional recognitions. During these Rotary group events, the “large” Rotary flag will fly alone alongside the United States flagpole and opposite the California State flagpole. At all other Padres games the “small” Rotary flag will fly directly beneath the large Padres flag on this pole. A basic purpose of the Rotary-Padres agreement is to “expand mutual involvement between the Padres and Rotary in community relations programs and events”. It is further expected that Rotary will derive benefit from the presence of the Rotary Flag Court with respect to its public image and membership development efforts.

NOTE 5 DATE OF MANAGEMENT’S REVIEW

The management of the District has reviewed the changes in their net assets and evaluated subsequent event for the period of time from its year-end June 30, 2015 through December 15, 2015, the date these financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements, nor have any subsequent events occurred, the nature of which would require disclosure.

Rotary International District 5340

Supplemental Schedule

**For the Year Ended
June 30, 2015**

Rotary International District 5340

**Supplemental Schedule
Detailed Schedule of Expenses**

For the Year Ended June 30, 2015

Club Service:	
Public relations	\$ 4,600
District administrator salary	20,275
Other district club service expense	161,868
Total Club Service	<u>186,743</u>
International Service:	
International grants	<u>24,617</u>
Total International Service	<u>24,617</u>
Youth Service:	
Youth services	<u>160,794</u>
Total Youth Service	<u>160,794</u>
Community Service:	
District grants	<u>109,053</u>
Total Community Service	<u>109,053</u>
Administrative and Management Expenses:	
Financial review	9,380
Insurance and bond	832
Office expense	25,144
Phone/fax	3,220
Total Administrative and Management Expenses	<u>38,576</u>
Total Expenses	<u>\$ 519,783</u>

See Notes to Financial Statements and Independent Auditor's Report