

Rotary International District 5340

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

**For the Year Ended
June 30, 2017**

James M. Colville CPA 

Rotary International District 5340

**For the Year Ended
June 30, 2017**

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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, 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.

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, 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.

A handwritten signature in blue ink that reads "James M. Cobelli". The signature is written in a cursive style with a prominent initial "J" and "M".

San Diego, California
September 29, 2017

Rotary International District 5340

Statement of Financial Position

as of June 30, 2017

Assets

Current Assets

Cash and cash equivalents	\$ 216,956
Accounts receivable	3,530
Deposits	9,067
Total Current Assets	<u>229,553</u>

Property and equipment, net (Note 3) 6,879

Total Assets \$ 236,432

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	\$ 8,294
Total Current Liabilities	<u>8,294</u>

Net Assets

Unrestricted

Available for operations	171,430
Board designated (Note 5)	46,691
Total Unrestricted	<u>218,121</u>
Temporarily Restricted (Note 6)	10,017
Total Net Assets	<u>228,138</u>

Total Liabilities And Net Assets \$ 236,432

See Notes to Financial Statements

Rotary International District 5340

Statement of Activities

For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Rotary club dues	\$ 142,853	\$ -	\$ 142,853
Youth service income	172,923	-	172,923
District event income	135,852	-	135,852
Community service	107,203	-	107,203
Other income	17,241	-	17,241
Rotary International reimbursement	10,310	-	10,310
Total Support and Revenue	\$ 586,382	\$ -	\$ 586,382
Expenses			
Program Services			
Club	\$ 199,983	\$ -	\$ 199,983
International	16,422	-	16,422
Youth	184,548	-	184,548
Community	108,653	-	108,653
Governor training	22,087	-	22,087
Total Program Expenses	531,693	-	531,693
Administrative and management	34,788	-	34,788
Total Expenses	566,481	-	566,481
Increase in Net Assets	19,901	-	19,901
Net Assets at Beginning of Year	146,211	62,026	208,237
Prior Period Adjustment:			
Transfer to Unrestricted (Note 4 & 5)	52,009	(52,009)	-
Net Assets at Beginning of Year, as Restated	198,220	10,017	208,237
Net Assets at End of Year	\$ 218,121	\$ 10,017	\$ 228,138

See Notes to Financial Statements

Rotary International District 5340

Statement of Cash Flows

For the Year Ended June 30, 2017

Cash Flows From Operating Activities

Increase in net assets	\$ 19,901
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:	
Depreciation expense	603
(Increase) Decrease in current assets:	
Accounts receivable	(275)
Deposits	(271)
Increase (Decrease) in current liabilities:	
Accounts payable and accrued expenses	6,838
Deferred revenue	(825)
 Net Cash Provided by Operating Activities	<hr/> 25,971 <hr/>
 Net Increase in Cash and Cash Equivalents	25,971
 Cash and Cash Equivalents, Beginning of Year	190,985
 Cash and Cash Equivalents, End of Year	<hr/> <u>\$ 216,956</u> <hr/>

Supplemental Disclosures

- None -

See Notes to Financial Statements

Rotary International District 5340

Notes to Financial Statements

For the Year Ended June 30, 2017

NOTE 1 NATURE OF OPERATIONS

Rotary International District 5340 (the “District”) is a not-for-profit unincorporated association formed in 1941 and is an administrative district of Rotary International. As a volunteer organization, the District provides support to 63 member clubs and humanitarian services primarily in Southern California. 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 allocated from member clubs, participation fees from Rotarian members, and grants and reimbursements from Rotary International and The Rotary Foundation.

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.
- **Permanently restricted** net assets are generally reserved for situations when donors make permanent endowments.

As of June 30, 2017, the District did not have any permanently restricted net assets.

Rotary International District 5340

Notes To Financial Statements

For the Year Ended June 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Revenues are reported as increases in unrestricted net assets unless the use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. 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 or the purpose restriction is accomplished.

Cash and Cash Equivalents

The District considers all cash on deposit with financial institutions and all highly liquid investments with an original maturity of three months or less at the date of deposit to be cash equivalents. There were no cash equivalents held by the District as of June 30, 2017.

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 these accounts.

Accounts Receivable and Related Parties

The District bills the member clubs for annual dues on July 1st of each year. The dues for the current year have all been received as of June 30, 2017.

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. The grant amount is agreed upon prior to being billed and historically has always been paid, therefore, an allowance for uncollectible accounts is not considered necessary.

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 of depreciation. Expenditures for maintenance and repairs are charged to expense as incurred.

Recognition of Revenue

Member dues are recognized as revenue on a pro rata basis covered by the billing. Since the dues are billed on the first day of the fiscal year the pro rata amount is the same as the fiscal year. As such, all dues revenue is recognized in the fiscal year billed. Event and service revenue is recognized when received and earned.

Flag Court Contributions (Note 6) are recognized as revenue in the period when cash or unconditional promises-to-give have been received.

Rotary International District 5340

Notes To Financial Statements

For the Year Ended June 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

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. Not-for-profit 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, 2017. The District has not taken any uncertain tax positions that would require provision of a liability or disclosure in the financial statements. Accordingly, no provision for income taxes is made in the accompanying financial statements.

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.

The District generally does not receive contributions and, as a 50(c)(4) entity, any such contributions are generally not deductible by the donor.

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.

Prior Period Adjustment

Unrestricted board designated funds were improperly classified and reported as temporarily restricted net assets. These amounts have been reclassified into unrestricted net assets as of June 30, 2017. (Note 4)

Rotary International District 5340

Notes To Financial Statements

For the Year Ended June 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

August 2015 ASU 2015-14 – Revenue from Contracts with Customers (Topic 606) The revised revenue recognition rules are effective for fiscal years beginning with the year ended June 30, 2019 and are not expected to have a material effect of the District’s financial statements.

August 2015 ASU 2016-02 – Leases (Topic 842) The leases rules are effective for fiscal years beginning with the year ended June 30, 2020 and are not expected to have a material effect of the District’s financial statements.

August 2016 ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958). The rules are effective fiscal year June 30, 2019 and are expected to have a material effect of the District’s financial statements.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2017:

Furniture, fixtures and equipment	\$ 16,572
Accumulated depreciation	<u>(9,693)</u>
Net	<u>\$ 6,879</u>

Depreciation expense for the year ended June 30, 2017 was \$603.

NOTE 4 PRIOR PERIOD ADJUSTMENT

The District is exempt from Federal and State income taxes under Section 501(c)(4) and, as such, generally does not receive contributions. The District’s revenue comes from a sharing of Club dues allocated by Rotary International, certain operations reimbursements from Rotary International and fees from organizing events and programs. The events and programs were originally set up as temporarily restricted, however, management has determined that this revenue does not meet the criteria for being temporarily restricted as the revenue was not received by donors. As such, the previously reported temporarily restricted funds have been reclassified to unrestricted board designated funds as a prior period adjustment on the statement of activities. The Flag Court may continue to receive contributions from donors which continue to be reported as temporarily restricted net assets. (Note 6)

Rotary International District 5340

Notes To Financial Statements

For the Year Ended June 30, 2017

NOTE 4 PRIOR PERIOD ADJUSTMENT (CONTINUED)

The net asset restatement is summarized as follows:

Statement of Activities	Net Assets		
	Unrestricted	Temporarily Restricted	Total
Net assets at beginning of year	\$ 146,211	\$ 62,026	\$ 208,237
Prior period adjustment, transfer to Unrestricted, Board Designated (Note 5)	52,009	(52,009)	-
Net Assets at Beginning of Year, as Restated	\$ 198,220	\$ 10,017	\$ 208,237

Balance Sheet	As Previously Reported	Restated	As Restated
	Unrestricted		
Available for operations	\$ 146,211	\$ -	\$ 146,211
Board designated (Note 5)	-	52,009	52,009
Total Unrestricted	146,211	52,009	198,220
Temporarily Restricted (Note 6)	62,026	(52,009)	10,017
Net Assets at Beginning of Year	\$ 208,237	\$ -	\$ 208,237

NOTE 5 BOARD DESIGNATED UNRESTRICTED NET ASSETS

Unrestricted board designated funds are as follows:

	June 30, 2016*	June 30, 2017
Model UN	\$ 12,099	\$ 10,671
Interact	1,762	1,209
Rotaract	229	-
RYLA	10,001	12,538
LEAD	15,843	14,425
Music Camp	9,901	7,848
District Grants	2,174	-
Total	\$ 52,009	\$ 46,691

*Previously reported as temporarily restricted.

Rotary International District 5340

Notes To Financial Statements

For the Year Ended June 30, 2017

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are comprised of the San Diego Padres Flag Court. The Rotary Flag Court was dedicated on April 8, 2005 as a Centennial Project for Rotary District 5340 in which approximately \$117,000 has been received from the District Clubs and their members. The funds were used for the construction and related expenses of the Flag Court.

Temporarily restricted net assets consist of the following at June 30, 2017 (Note 4):

	<u>June 30, 2017</u>
Flag Court	<u>\$ 10,017</u>

NOTE 7 CONCENTRATIONS

The District's primary source of income consists of contributions from club members and regular attendees which represents over 97% of the District's revenue for the year ended June 30, 2017. The District's market is concentrated in San Diego and Imperial Counties, California and in the City of Blythe, California.

NOTE 8 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, 2017 through September 29, 2017, 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 recognition or disclosure.