

Rotary International District 5340
Audited Financial Statements
June 30, 2019





Sonnenberg & Company, CPAs

A Professional Corporation

5190 Governor Drive, Suite 201, San Diego, California 92122

Phone: (858) 457-5252 • (800) 464-4HOA • Fax: (858) 457-2211 • (800) 303-4FAX



Leonard C. Sonnenberg, CPA

Rotary International District 5340 Audited Financial Statements June 30, 2019

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-13



Sonnenberg & Company, CPAs

A Professional Corporation

5190 Governor Drive, Suite 201, San Diego, California 92122

Phone: (858) 457-5252 • (800) 464-4HOA • Fax: (858) 457-2211 • (800) 303-4FAX



Leonard C. Sonnenberg, CPA

INDEPENDENT AUDITOR'S REPORT

To the District Governor
Rotary International District 5340

We 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, 2019, and the related statements of activities, functional expenses, 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

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 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, 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 Rotary International District 5340 as of June 30, 2019, 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.

August 30, 2019



Sonnenberg & Company, CPAs

Rotary International District 5340
Statement of Financial Position
June 30, 2019

ASSETS

Cash	\$	270,477
Accounts receivable		1,095
Prepaid expenses and deposits		10,106
Property and equipment, net		5,524
TOTAL ASSETS	\$	<u>287,202</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$	34,517
Deferred revenue		3,147
Total Liabilities		<u>37,664</u>

Net Assets

Without donor restrictions		
Undesignated		191,188
Board Designated		58,350
Total Net Assets		<u>249,538</u>

TOTAL LIABILITIES AND NET ASSETS	\$	<u>287,202</u>
---	-----------	-----------------------

The accompanying notes are an integral part of these financial statements

Rotary International District 5340
Statement of Activities
For the Year Ended June 30, 2019

REVENUE AND SUPPORT	Without Donor Restrictions	With Donor Restrictions	Total
Rotary club dues	\$ 140,116	\$	\$ 140,116
Youth service income	170,477		170,477
District event income	108,790		108,790
Community service	132,499		132,499
Rotary International reimbursement	11,092		11,092
Other income	17,747		17,747
TOTAL REVENUE AND SUPPORT	580,721	-	580,721
 EXPENSES			
Program Services:			
Club service	176,519		176,519
Community service	132,499		132,499
Youth service	188,613		188,613
International service	14,517		14,517
Governor training	24,416		24,416
Supporting Services			
Management and general	43,329		43,329
	43,329	-	43,329
TOTAL EXPENSES	579,893	-	579,893
 CHANGE IN NET ASSETS	 828	 -	 828
NET ASSETS, BEGINNING OF YEAR	238,693	10,017	248,710
NET ASSETS RECLASSIFICATION	10,017	(10,017)	-
NET ASSETS, END OF YEAR	\$ 249,538	\$ -	\$ 249,538

The accompanying notes are an integral part of these financial statements

**Rotary International District 5340
Statement of Functional Expenses
For the Year Ended June 30, 2019**

	Program Services					Total Program Services	Supporting Services	
	Club Service	Community Service	Youth Service	International Service	Governor Training		Management & General	Total
Expenses:								
Auto & travel	\$ 6,181	\$	\$	\$	\$	\$ 6,181	\$	\$ 6,181
Awards & gifts	1,568					1,568		1,568
Background checks			779			779		779
Badges & Rotary merchandise	2,843					2,843		2,843
Bank & merchant fees						-	5,656	5,656
Depreciation						-	1,414	1,414
District grants		132,499				132,499		132,499
Dues & subscriptions	1,950					1,950		1,950
Fellowship & social events	111,606					111,606		111,606
Four way speech contest			3,970			3,970		3,970
Insurance						-	550	550
Interact			4,554			4,554		4,554
International convention					13,915	13,915		13,915
LEAD			35,760			35,760		35,760
Meetings	704					704		704
Model UN			39,594			39,594		39,594
Music camp				12,548		12,548		12,548
Music competition			6,500			6,500		6,500
Office supplies						-	3,384	3,384
Other club services	1,066					1,066		1,066
Other miscellaneous						-	1,201	1,201
Payroll	1,631					1,631		1,631
Professional fees						-	25,090	25,090
Public relations	6,390					6,390		6,390
Rotaract			4,800			4,800		4,800
RYLA			92,656			92,656		92,656
Telephone						-	6,034	6,034
Training events	37,400					37,400		37,400
Website	5,180					5,180		5,180
Youth exchange support				1,969		1,969		1,969
Zone institute					10,501	10,501		10,501
TOTAL	\$176,519	\$ 132,499	\$188,613	\$ 14,517	\$24,416	\$536,564	\$ 43,329	\$579,893

The accompanying notes are an integral part of these financial statements

Rotary International District 5340
Statement of Cash Flows
For the Year Ended June 30, 2019

Cash flows from operating activities:	
Change in net assets	\$ 828
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,414
(Increase) decrease in operating assets:	
Accounts receivable	2,033
Prepaid expenses and deposits	17,628
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	27,991
Deferred revenue	<u>3,006</u>
Net cash provided by operating activities	<u>52,900</u>
Net change in cash	52,900
Cash at beginning of year	<u>217,577</u>
Cash at end of year	<u><u>\$ 270,477</u></u>

The accompanying notes are an integral part of these financial statements

Rotary International District 5340
Notes to Financial Statements
For the Year Ended June 30, 2019

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:

Method of Accounting

The financial statements of the District have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and specific programs.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Rotary International District 5340
Notes to Financial Statements
For the Year Ended June 30, 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (continued)

The District reports contributions restricted by donors as increase in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. As of June 30, 2019, the District did not have any net assets with donor restrictions.

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, 2019.

Accounts Receivable and Related Parties

Accounts receivable is comprised of amounts due from members for District's events. Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. Management believes that all accounts receivable were fully collectible; therefore, no allowance for doubtful accounts receivable was recorded as of June 30, 2019.

The District bills the member clubs for annual dues on July 1st for half of the total annual dues and on January 1st for the second half of each year. The dues for the current year have all been received as of June 30, 2019.

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 five to ten years using principally the straight-line method of depreciation. Expenditures for maintenance and repairs are charged to expense as incurred.

Rotary International District 5340
Notes to Financial Statements
For the Year Ended June 30, 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of Revenue

Member dues are recognized as revenue on a pro rata basis covered by the billing. Since the dues are billed on July 1st and January 1st 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.

Contributions are recognized when cash or other assets, an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Deferred Revenue

Event fees received in advance are deferred to the applicable period in which the related events are performed.

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(f) 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, 2019. 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 501(c)(4) entity, any such contributions are generally not deductible by the donor.

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 certain reported amounts and disclosures. Actual results could differ from those estimates.

Rotary International District 5340
Notes to Financial Statements
For the Year Ended June 30, 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Contributed Services

Contributed services are recognized as contributions if services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the District.

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 service 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 and estimates made by the District's management. During the year ended June 30, 2019, the District did not have any expenses attributable to more than one program or supporting function that require allocation.

Adoption of New Accounting Pronouncement

The District adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Rotary International District 5340
Notes to Financial Statements
For the Year Ended June 30, 2019

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2019:

Furniture, fixtures and equipment	\$ 17,904
Less: accumulated depreciation	<u>(12,380)</u>
NET FIXED ASSETS	<u><u>\$ 5,524</u></u>

Depreciation expense for the year ended June 30, 2019 was \$1,414.

NOTE 4. BOARD DESIGNATED NET ASSETS

Net assets without donor restrictions that are designated by the District Governor for specific purposes are as follows:

Model UN	\$ 5,034
Interact	646
RYLA	22,664
LEAD	13,012
Music camp	6,639
Flag court	<u>10,355</u>
TOTAL BOARD DESIGNATED	<u><u>\$ 58,350</u></u>

NOTE 5. CONCENTRATIONS

The District's primary source of income consists of dues and payments from member clubs and attendance at District events for club members which represents over 71% of the District's revenue for the year ended June 30, 2019. Approximately 22% of the District's revenue is derived from The Rotary Foundation funding for District grants.

The District's market is concentrated in San Diego and Imperial Counties, California and in the City of Blythe, California.

**Rotary International District 5340
Notes to Financial Statements
For the Year Ended June 30, 2019**

NOTE 6. NET ASSETS RECLASSIFICATION

During the year ended June 30, 2019, the Board reclassified \$10,017 of net assets with donor restrictions for San Diego Padres Flag Court as net assets without donor restrictions. 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. The remaining funds are designated for the repairs and maintenance of Flag Court.

The reclassification has no effect on the District's net income and net assets.

NOTE 7. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following:

Financial assets at year end:	
Cash	\$ 270,477
Accounts receivable	979
Total financial assets	<u>271,456</u>
Less amounts not available to be used within one year:	
Board designated - Flag court	<u>(10,355)</u>
available to meet general expenditures within one year	<u>\$ 261,101</u>

The District Governor has designated apportion of its unrestricted resources for Flag court. Because of the District Governor's designation, those assets are not available for general expenditures within the next year; however, the District Governor could make them available, if necessary.

As part of the District's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The District invests cash in excess of daily requirements in money market funds. Also, the District Governor designates a portion of any operating surplus to its various programs, which were \$58,350 as of June 30, 2019, including Flag court.

Rotary International District 5340
Notes to Financial Statements
For the Year Ended June 30, 2019

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, 2019 through August 30, 2019, 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.