

ROTARY INTERNATIONAL DISTRICT 6110

FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT

For the Fiscal Year Ended June 30, 2021

ROTARY INTERNATIONAL DISTRICT 6110

Table of Contents

	<u>Page(s):</u>
Independent Auditor's Report	1
<u>Financial Statements:</u>	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 12



Independent Auditor's Report

To the Board of Governors of
Rotary International District 6110
Tulsa, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of ROTARY INTERNATIONAL DISTRICT 6110 (a non-profit organization), which comprise the statement of financial position as of June 30, 2021, and the related statement of activities and statement of cash flows for the fiscal 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 6110 as of June 30, 2021, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Hood & Associates CPAs, P.C.

Hood and Associates Certified Public Accountants, P.C.
Tulsa, Oklahoma
September 7, 2021

hoodcpas.com

5350 E 46th St., Suite 130, Tulsa, OK 74135 918-747-7000 Fax 918-743-7525
1821 SE Washington Blvd., Bartlesville, OK 74006 918-336-7600 Fax 918-333-7600
323 W 1st St., Claremore, OK 74017 918-341-1930 Fax 918-342-3183
2310 N Old Hwy 66, Suite A, Catoosa, OK 74015 918-739-4662 Fax 918-739-4664
214 N Main, Sand Springs, OK 74036 918-245-2591 Fax 918-241-2601

ROTARY INTERNATIONAL DISTRICT 6110
Statement of Financial Position
June 30, 2021

Assets

Current assets:	
Cash and cash equivalents (Notes A and B)	\$ 266,979
Prepaid expenses	3,458
	270,437
Total current assets	
Property and equipment, at historical acquisition cost: (Note A)	
Furniture and fixtures	22,432
Less: Accumulated depreciation	(22,432)
	-
Total property and equipment, net of accumulated depreciation	
Other assets, non-current:	
Investments in marketable securities, at fair market value (Notes A and C)	269,367
	539,804
Total assets	
	\$ 539,804

Liabilities and Net Assets

Current liabilities:	
Accounts payable	\$ 21,558
Accrued liabilities	2,150
	23,708
Total liabilities	
Net assets:	
Net assets, without donor restrictions:	
Undesignated by the Board of Directors (Notes A, D and G):	
General fund	354,472
Designated by the Board of Directors (Notes A, D and G):	
Rotary Youth Leadership Awards	46,347
Youth Exchange Program	28,317
Kirchner Scholarship Fund	12,600
	441,736
Total net assets, without donor restrictions	
Net assets, with donor restrictions:	
District Simplified Grant (Notes A, D and G)	74,360
	516,096
Total net assets	
Total liabilities and net assets	
	\$ 539,804

The accompanying notes are an integral part of these financial statements.

ROTARY INTERNATIONAL DISTRICT 6110
Statement of Activities
For the Fiscal Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues:			
Membership dues	\$ 245,310	\$	\$ 245,310
Grant income		103,681	103,681
President elect training	34,756		34,756
District governor funds	20,458		20,458
Miscellaneous income	3,539		3,539
District leadership	1,750		1,750
Interest and dividend income	1,430		1,430
Youth exchange program	455		455
Net assets, released from donor restrictions:			
Satisfaction of grant fund restrictions	145,814	(145,814)	-
Total revenues	453,512	(42,133)	411,379
Expenses:			
Program services expenses	272,283		272,283
General and administrative expenses	105,128		105,128
Total operating expenses	377,411		377,411
Other income:			
Unrealized gain or (loss) on investments	(622)		(622)
Total other income	(622)		(622)
Other expenses:			
Depreciation expense	145		145
Changes in net assets	75,334	(42,133)	33,201
Net assets, beginning of fiscal year	366,402	116,493	482,895
Net assets, end of fiscal year	\$ 441,736	\$ 74,360	\$ 516,096

The accompanying notes are an integral part of these financial statements.

ROTARY INTERNATIONAL DISTRICT 6110

Statement of Functional Expenses For the Fiscal Year Ended June 30, 2021

	Program Expenses	Management and General	Fund Raising	Totals
Salaries & related expenses:				
Salaries and wages, director	\$ 2,500	\$ 42,914	\$	\$ 45,414
Salaries and wages, other		22,112		22,112
Other employee benefits		6,000		6,000
Payroll taxes		5,988		5,988
Total salaries & related expenses	2,500	77,014	-	79,514
Grant disbursements	145,814			145,814
President elect training seminar	31,697			31,697
District governor	24,351			24,351
Group study	14,693			14,693
Rent		10,500		10,500
International youth exchange	10,084			10,084
Professional fees		6,600		6,600
Supplies	5,949			5,949
District conference	5,634			5,634
Insurance		3,757		3,757
District leadership academy	3,292			3,292
District governor nominee zone institute	3,125			3,125
District governor nominee-elect	2,969			2,969
Bank charges		2,267		2,267
Assistant governors	2,003			2,003
Telephone		1,944		1,944
Maintenance and repairs		1,920		1,920
Investment expenses		1,126		1,126
Postage and printing	1,001			1,001
Special projects	713			713
Travel	675			675
Software subscriptions	667			667
Assistant governors training	143			143
District assembly	36			36
Miscellaneous expenses	16,937			16,937
Total functional expenses	\$ 272,283	\$ 105,128	\$ -	\$ 377,411

The accompanying notes are an integral part of these financial statements.

ROTARY INTERNATIONAL DISTRICT 6110
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021

Cash flows from operating activities:	
Cash received from supporters	\$ 411,301
Cash paid to suppliers and employees	(362,359)
Interest and dividend income	1,430
	<hr/>
Net cash provided by or (used in) operating activities	50,372
	<hr/>
Cash flows from investing activities:	
Investment fees	(1,126)
Purchases of investments	(201,654)
	<hr/>
Net cash provided by or (used in) investing activities	(202,780)
	<hr/>
Net increase or (decrease) in cash and cash equivalents	(152,408)
	<hr/>
Cash and cash equivalents, beginning of fiscal year	419,387
	<hr/>
Cash and cash equivalents, end of fiscal year	<u>\$ 266,979</u>
	<hr/>
Reconciliation of changes in net assets to net cash provided by or (used in) operating activities:	
Changes in net assets, net of non-cash investing items *	\$ 33,823
	<hr/>
Adjustments to reconcile changes in net assets to net cash provided by or (used in) operating activities:	
Depreciation expense	145
	<hr/>
Changes in assets and liabilities:	
(Increase) or (decrease) in accounts receivable	1,352
(Increase) or (decrease) in prepaid expenses	(323)
Increase or (decrease) in accounts payable	14,717
Increase or (decrease) in accrued liabilities	658
	<hr/>
Total adjustments and changes in assets and liabilities	16,549
	<hr/>
Net cash provided by or (used in) operating activities	<u>\$ 50,372</u>

* Non-cash investing consisted of unrealized losses of \$622 for the year ended June 30, 2021

The accompanying notes are an integral part of these financial statements.

ROTARY INTERNATIONAL DISTRICT 6110
Notes to the Financial Statements
As of and for the Fiscal Year Ended June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities

Rotary International District 6110's purpose is to further the understanding and friendly relations between people of different nations through the fostering of tangible and effective programs of a philanthropic, charitable, educational or other eleemosynary nature.

Basis of Accounting

The accompanying financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America, utilizing the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred, and accordingly, the financial statements of the Organization reflect significant receivables, payables and other liabilities. Revenues consist primarily of dues received from members with allocations being made to the Kirchner Scholarship Fund, the Youth Exchange Program and Rotary Youth Leadership Awards with the remainder being allocated to un-designated net assets which are available for general activities.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements Not-for-Profit Entities*. Under FASB ASU 2014-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets; net assets with donor restrictions, and net assets without donor restrictions, based upon the existence or absence of donor-imposed restrictions.

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 the reported amounts of certain assets, liabilities, revenues, expenses and disclosures at the date of the financial statements and during the reporting period. Accordingly, the actual amounts could differ from the estimates that were used.

Revenue Recognition

Contributions received are recorded as with donor-imposed restrictions or without donor-imposed restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as contributions without donor restrictions. All donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without restrictions and are reported in the statement of activities as net assets released from donor restrictions.

Contributed Services, Materials and Property and Equipment

The Organization may receive services donated by volunteers. No amounts have been reflected in the financial statements for such services as they did not meet the criteria for recognition under FASB ASC 958, *Not-For-Profit Entities*. The Organization also may occasionally receive donated goods. Donations of goods with fair market values in excess of \$500, if any, are recorded and included as contribution revenues in the accompanying financial statements as "in-kind contributions" at their respective fair market values at the date(s) of receipt.

ROTARY INTERNATIONAL DISTRICT 6110
Notes to the Financial Statements
As of and for the Fiscal Year Ended June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued):

Income Taxes

The Organization is considered to be a non-profit corporation that is thereby exempt from federal and state income taxes under Section 501(c)(4) of the Internal Revenue Code and is classified as other than a private foundation. Accordingly, no provision for income taxes has been made within the accompanying financial statements.

The Organization accounts for uncertain tax positions in accordance with the provisions of FASB ASC 740, *Income Taxes*. FASB ASC 740 prescribes a recognition threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a return of exempt income. Using the guidance of FASB ASC 740, income tax benefits are recognized for income tax positions taken or expected to be taken in a return of exempt income only when it is determined that the income tax position will "more-likely-than-not" be sustained upon examination by the taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. As of June 30, 2021, the Organization believes that all filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial statements. Accordingly, the Organization has not recorded any reserves or related accruals for uncertain income tax positions at June 30, 2021.

Cash and Cash Equivalents

For purposes of the financial statements, cash and cash equivalents consist of all highly liquid instruments available for current use with original maturities of three months or less, when initially purchased. Cash and cash equivalents consist of checking and money market accounts and are carried at historical acquisition cost which approximates fair market value.

Investments

Investments in equity securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Property and Equipment, Net of Accumulated Depreciation

The Organization's capitalization policy is to consider capitalization for any individual property and equipment item with a historical acquisition cost in excess of \$500, per individual item. Lesser amounts are expensed. Routine repairs and maintenance are expensed as incurred. Property and equipment is stated at historical acquisition cost, net of accumulated depreciation. Depreciation expense of property and equipment is calculated by using the straight-line method of depreciation over the estimated useful lives of the respective classes of assets, which currently range from three (3) to five (5) years. Donated property and equipment items are similarly capitalized and depreciated.

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by a comparison of the carrying amount of an asset to undiscounted expected cash flows. Future events could cause the Organization to conclude that impairment indicators exist and that certain long-lived assets may be impaired.

ROTARY INTERNATIONAL DISTRICT 6110
Notes to the Financial Statements
As of and for the Fiscal Year Ended June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued):

Advertising

The Organization expenses all advertising costs in the period in which they are incurred.

Date of Management's Review and Subsequent Events

Management has evaluated subsequent events through September 7, 2021, the date that the financial statements were available for issuance, noting certain events that required recognition or disclosure in the accompanying financial statements and footnotes. See Note H for a discussion of risks and uncertainties which may have an impact on subsequent events.

NOTE B - CONCENTRATION OF CUSTODIAL CREDIT RISK:

Custodial credit risk that, in the event of the failure of the counterparty, the Organization will not be able to recover the value of its deposits or investments that are held in the possession of an outside party. The Organization maintains cash and certificate of deposit balances at various financial institutions. Accounts at the financial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") and up to \$250,000 per depository institution. As of June 30, 2021, the Organization had exceeded FDIC insurance levels at one financial institution in the amount of \$43,082. Management believes that the financial institution is financially viable and that the concentration does not pose a significant risk.

NOTE C – INVESTMENTS IN MARKETABLE SECURITIES:

The Organization's investments in marketable securities are held in custody with a brokerage firm and include equity and fixed income securities with all investment earnings being reinvested. The investments in marketable securities are classified as "available for sale" securities and are valued for financial statement purposes at fair market value.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value under accounting principles generally accepted in the United States of America, establishes a framework for measuring fair value and enhances disclosures about fair value measurements. This standard defines fair value as "the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date". The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities ("Level 1") and the lowest priority to unobservable inputs ("Level 3").

The following provides a description of the three levels of inputs that may be used to measure fair value under the standard, the types of investments that fall under each category and the valuation methodologies used to measure these investments at fair value, as follows:

"Level 1" Fair Value Measurement

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access. The Organization's investments in marketable securities are considered to be "Level 1" investments.

ROTARY INTERNATIONAL DISTRICT 6110
Notes to the Financial Statements
As of and for the Fiscal Year Ended June 30, 2021

NOTE C – INVESTMENTS IN MARKETABLE SECURITIES – (Continued):

“Level 2” Fair Value Measurements

Inputs to the valuation methodology include quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the assets or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability. The Organization did not hold any “Level 2” investments.

“Level 3” Fair Value Measurements

Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The Organization did not hold any “Level 3” investments.

The preceding methods described may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. While management of the Organization believes that its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date of the accompanying “independent auditor’s report”.

The Organization’s investments in marketable securities are reported at fair value within the accompanying “statements of financial position”. The following table set forth, by level, within the fair value hierarchy, the Organization’s investments at fair value as of June 30, 2021:

	<u>Fair Value</u>	<u>“Level 1”</u>
Fixed income securities	<u>\$ 269,367</u>	<u>\$ 269,367</u>
Total investments in marketable securities	<u>\$ 269,367</u>	<u>\$ 269,367</u>

NOTE D - NET ASSETS:

Net Assets Without Donor Restrictions:

Net Assets Without Donor Restrictions - Undesignated

Net assets without donor restrictions of the Organization which are listed as “undesignated” are those net assets which are available for the daily operations and general use of the Organization. Undesignated net assets also include the historical acquisition cost, net of accumulated depreciation, of the Organization’s facilities, buildings, land, furniture and fixtures and other equipment, which have been previously released from donor-imposed restrictions.

Net Asset Without Donor Restrictions – Designated by the Board of Governors

Certain net assets without donor restrictions of the Organization, by virtue of standing board policies of the Board of Governors of Rotary International District 6110, have been further segregated as “board designated” net assets. Expressed purposes of board designated funds are that the funds be used only as long-term reserves for certain programs or general and administrative expenses. Board designated funds consist of funds styled as “Youth Exchange Program”, “Rotary Youth Leadership Awards” and “Kirchner Scholarship Fund”.

ROTARY INTERNATIONAL DISTRICT 6110
Notes to the Financial Statements
As of and for the Fiscal Year Ended June 30, 2021

NOTE D - NET ASSETS - (Continued):

The following classifications reflect the nature of board designated restrictions on assets without donor restrictions as of June 30, 2021:

Subject to expenditure for board specified purpose:

Rotary Youth Leadership Awards	\$ 46,347
Youth Exchange Program	28,317
Kirchner Scholarship Fund	<u>12,600</u>
Total net assets, designated by the Board of Governors	<u>\$ 87,264</u>

Net Assets With Donor Restrictions:

Net Assets With Donor Restrictions – Purpose Restricted

Net assets with donor restrictions, purpose restricted of the Organization are those net assets which are subject to donor-imposed restrictions for specified programs and activities of the Organization and pledges which are time restricted.

The following classifications reflect the nature of restrictions on net assets with donor restrictions as of June 30, 2021:

Subject to expenditure for specific purpose:

District simplified grant	\$ <u>74,360</u>
Total purpose restricted	<u>\$ 74,360</u>

Net assets with donor restrictions were released from donor-imposed restrictions by incurring expenses satisfying the restricted purposes or occurrences of other events specified by donors, as follows for the fiscal years ended June 30, 2021 and 2019, respectively:

Satisfaction of Program Restrictions:

District simplified grant	\$ <u>145,814</u>
Total released for satisfaction of donor-imposed restrictions	<u>\$ 145,814</u>

NOTE E - OPERATING LEASE:

The Organization had a one (1) year lease agreement for its Tulsa, Oklahoma office that expired December 31, 2021. The lease payments for the fiscal year ended June 30, 2021 totaled \$10,500. The Organization renewed the lease agreement for one (1) year starting January 1, 2021. The base rent is \$1,000 per month. The total minimum lease payments for fiscal year ending June 30, 2021 are anticipated to be \$12,000.

NOTE F - COMPENSATED ABSENCES:

Employees of the Organization are entitled to paid vacation and sick days depending upon job classification, length of service and various other factors. In accordance with FASB ASC 71, *Compensation-General*, the Organization has not accrued compensated absences for the fiscal year ended June 30, 2021, as the amounts cannot reasonably be estimated.

ROTARY INTERNATIONAL DISTRICT 6110
Notes to the Financial Statements
As of and for the Fiscal Year Ended June 30, 2021

NOTE G – LIQUIDITY AND AVAILABILITY OF RESOURCES:

The Organization is funded entirely from membership dues and grants from donors. Many grants contain restrictions on the use of funds that require that resources be used in a certain manner or in a future period. Therefore, the Organization must maintain adequate resources to meet those responsibilities to its donors and certain financial assets may not be available for general expenditure within one year. As a part of the Organization's liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization invests cash that exceeds daily operational needs in liquid, interest-bearing accounts such as certificates of deposit.

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of donor-imposed restrictions and board designations:

Financial assets at fiscal year-end	<u>\$ 536,346</u>
Less those unavailable for general expenditures within one year, due to:	
With donor restrictions:	
Donor-imposed program and purchase restrictions	(77,679)
Without donor restrictions:	
Board-designated funds	<u>(87,264)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 371,403</u>

The Organization does not currently have a line of credit with a financial institution that is available which it could draw from to help manage unanticipated liquidity needs.

NOTE H - FUTURE ACCOUNTING PRONOUNCEMENTS:

In 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* with new accounting guidance which amended the existing accounting standards for revenue recognition. In August 2015, the FASB then issued ASU 2015-14, which deferred the effective date of the revenue recognition standard for private and non-profit entities to annual reporting periods beginning after December 15, 2018. The new accounting guidance establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. For a non-profit entity, the standard primarily impacts earned revenue streams such as program service fees and sources of income other than contributions. This guidance was to be effective for the Organization's current fiscal year beginning July 1, 2020 but the deadline for implementation has been extended by the FASB due to the coronavirus pandemic. For private non-profit entities that have not yet applied the revenue recognition standard, the standard is now effective for annual reporting periods beginning after December 15, 2020. As such, the new accounting guidance is now effective for the Organization's fiscal year beginning July 1, 2021. The Organization is currently in the process of evaluating the impact of adoption of the new accounting guidance on its financial statements.

ROTARY INTERNATIONAL DISTRICT 6110
Notes to the Financial Statements
As of and for the Fiscal Year Ended June 30, 2021

NOTE I – RISKS AND UNCERTAINTIES:

In March 2021, the World Health Organization made the assessment that the outbreak of a novel coronavirus (“COVID-19”) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on future contributions, revenue, and investment income of the Organization. The occurrence and extent of such an impact will depend on future developments, including (1) the duration and spread of the virus, (2) possible future government quarantine measures, (3) voluntary and precautionary restrictions on travel or meetings, (4) the effects on the financial markets, and (5) the effects on the economy overall, all of which is uncertain.

The total financial impact of COVID-19 on the Organization cannot be determined at this time.