

**ROTARY INTERNATIONAL DISTRICT
7820 INCORPORATED**

Financial Statements

Year Ended June 30, 2016

Draft for discussion purposes only

| | | | |
|------------------------|-------------------------|-----------|-----------|
| Preparer JT 9/30/16 | Reviewer ST 10/05/16 | Partner | - |
| - | Scan / Printed | Delivered | Published |

ROTARY INTERNATIONAL DISTRICT 7820 INCORPORATED

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Year Ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Members of Rotary International District 7820 Incorporated

We have audited the accompanying financial statements of Rotary International District 7820 Incorporated, which comprise the statement of financial position as at June 30, 2016 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation 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 Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Rotary International District 7820 Incorporated derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Rotary International District 7820 Incorporated. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenditures, and cash flows from operations for the year ended June 30, 2016, current assets and net assets as at July 1, 2015 and June 30, 2016.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Rotary International District 7820 Incorporated as at June 30, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants
St. John's, NL

Printed: November 10, 2016 9:06 AM

ROTARY INTERNATIONAL DISTRICT 7820 INCORPORATED

Statement of Financial Position

June 30, 2016

| | 2016 | 2015 |
|---------------------------|-------------------|-------------------|
| ASSETS | | |
| CURRENT | | |
| Cash and cash equivalents | \$ 130,309 | \$ 97,294 |
| Accounts receivable | 830 | 14,095 |
| | 131,139 | 111,389 |
| RESTRICTED CASH (Note 4) | 28,795 | 28,795 |
| | \$ 159,934 | \$ 140,184 |
| LIABILITIES | | |
| CURRENT | | |
| Payables and accruals | \$ 20,066 | \$ 9,032 |
| NET ASSETS | | |
| Unrestricted fund | 111,073 | 102,357 |
| Restricted fund (Note 4) | 28,795 | 28,795 |
| | 139,868 | 131,152 |
| | \$ 159,934 | \$ 140,184 |

ON BEHALF OF THE BOARD

_____ District Governor

_____ District Treasurer

ROTARY INTERNATIONAL DISTRICT 7820 INCORPORATED

Statement of Operations

Year Ended June 30, 2016

| | Budget 2016 Unaudited | 2016 | 2015 |
|---|-----------------------------|-----------|-----------|
| REVENUES | | | |
| Club assessments | \$ 96,000 | \$ 95,430 | \$ 94,885 |
| Liability insurance assessments | 33,600 | 32,000 | 32,204 |
| RI support for training programs | 13,000 | 14,017 | 13,000 |
| Interest | 1,000 | 689 | 1,073 |
| Sponsorship - Corporate | 1,000 | - | - |
| Foundation overhead | 1,000 | - | - |
| District youth travel | - | 3,172 | 1,947 |
| District simplified grant | - | 609 | - |
| | 145,600 | 145,917 | 143,109 |
| EXPENDITURES | | | |
| District operating expenses (previously District governor administration): | | | |
| -Travel, awards, club visit and other | 20,000 | 18,759 | 10,893 |
| -Administration | 7,800 | 7,176 | 3,367 |
| Insurance | 33,600 | 31,325 | 32,208 |
| District assembly and conference | 27,500 | 29,816 | 34,803 |
| Administrative support | 15,000 | 14,250 | 11,844 |
| Training programs | 13,000 | 17,676 | 14,756 |
| Public relations and club services | 10,000 | 1,257 | 738 |
| Zone Institute | 7,700 | 8,740 | 7,378 |
| PETS and SETS | 7,000 | 7,852 | 4,900 |
| District youth services | 2,500 | 7,642 | 3,281 |
| Membership development and extension | 2,000 | 4,033 | 3,036 |
| Rotary Foundation | - | 1,540 | 3,418 |
| | 146,100 | 150,066 | 130,622 |
| EXCESS OF (EXPENDITURES OVER REVENUES) REVENUES OVER EXPENDITURES BEFORE DISTRICT ALLOCATION OF CONFERENCE SURPLUS | (500) | (4,149) | 12,487 |
| SCHEDULE OF CONFERENCE REVENUES AND DISBURSEMENTS (UNAUDITED) (Schedule 1) | - | 12,865 | 6,312 |
| EXCESS OF REVENUES OVER EXPENDITURES | \$ (500) | \$ 8,716 | \$ 18,799 |

ROTARY INTERNATIONAL DISTRICT 7820 INCORPORATED

Statement of Changes in Net Assets

Year Ended June 30, 2016

| | Unrestricted Fund | Restricted Fund | 2016 | 2015 |
|---|----------------------|--------------------|-------------------|------------|
| NET ASSETS - BEGINNING OF YEAR | \$ 102,357 | \$ 28,795 | \$ 131,152 | \$ 112,353 |
| Excess of revenues over expenditures | 8,716 | - | 8,716 | 18,799 |
| NET ASSETS - END OF YEAR | \$ 111,073 | \$ 28,795 | \$ 139,868 | \$ 131,152 |

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ROTARY INTERNATIONAL DISTRICT 7820 INCORPORATED

Statement of Cash Flows

Year Ended June 30, 2016

| | 2016 | 2015 |
|--------------------------------------|-------------------|-------------------|
| OPERATING ACTIVITIES | | |
| Excess of revenues over expenditures | \$ 8,716 | \$ 18,799 |
| | 8,716 | 18,799 |
| Changes in non-cash working capital: | | |
| Accounts receivable | 13,265 | 15,036 |
| Payables and accruals | 11,034 | (7,531) |
| Deferred membership dues | - | (4,040) |
| | 24,299 | 3,465 |
| INCREASE IN CASH | 33,015 | 22,264 |
| Cash - beginning of year | 126,089 | 103,825 |
| CASH - END OF YEAR | \$ 159,104 | \$ 126,089 |
| CASH CONSISTS OF: | | |
| Cash and cash equivalents | \$ 130,309 | \$ 97,294 |
| Restricted cash | 28,795 | 28,795 |
| | \$ 159,104 | \$ 126,089 |

ROTARY INTERNATIONAL DISTRICT 7820 INCORPORATED

Notes to Financial Statements

Year Ended June 30, 2016

1. PURPOSE OF THE DISTRICT

Rotary International District 7820 Incorporated (the "District") is a not-for-profit organization that acts as the governing body for local Rotary Clubs in the Canadian Provinces of Nova Scotia, Prince Edward Island, and Newfoundland and Labrador, the Magdalene Islands of Quebec, and St. Pierre et Miquelon. The District is not subject to income tax, as a not-for-profit organization, under Section 149 of the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO).

Cash and cash equivalents

Short-term debt securities purchased with maturity of three months or less are classified as cash equivalents.

Revenue recognition

Rotary International District 7820 Incorporated follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Contributed services

Volunteers contribute a significant amount of their time each year. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

ROTARY INTERNATIONAL DISTRICT 7820 INCORPORATED

Notes to Financial Statements

Year Ended June 30, 2016

3. RELATED PARTIES

Revenue includes \$127,430 (2015 - \$127,089) for club and liability insurance assessments collected from various Rotary clubs.

4. RESTRICTED FUNDS

The District Treasurer received sums of money designated for specific purposes from individuals and clubs. All other funds are used for operating purposes. Restricted funds are as follows:

| | 2016 | | 2015 |
|--------------------------------------|------------------|----|---------------|
| District Youth Exchange Bursary Fund | \$ 25,000 | \$ | 25,000 |
| Litigation Contingency Fund | 3,795 | | 3,795 |
| | \$ 28,795 | \$ | 28,795 |

The District Youth Exchange Bursary Fund provides a source of funds to assist youth in the District who, without financial assistance, would otherwise be unable to participate in the program.

The Litigation Contingency Fund was established to set aside funds to pay for any potential litigation in which the District may become involved.

5. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

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ROTARY INTERNATIONAL DISTRICT 7820 INCORPORATED
Schedule of Conference Revenues and Disbursements (Unaudited)
Year Ended June 30, 2016

(Schedule 1)

| | 2016 | 2015 |
|---|------------------|-----------------|
| REVENUE | | |
| Registration | \$ 64,985 | \$ 77,433 |
| Sponsorship | 18,416 | 23,366 |
| Other income | 971 | - |
| | 84,372 | 100,799 |
| DISBURSEMENTS | | |
| Meals and accommodations | 26,447 | 60,412 |
| Audio and visual | 6,661 | 6,099 |
| Speakers | 5,339 | 4,413 |
| Entertainment and hospitality | 5,296 | 2,881 |
| Youth exchange | 2,987 | 4,359 |
| Miscellaneous | 2,946 | 2,226 |
| Committee expenses | 2,782 | - |
| Partner programs | 2,063 | 460 |
| Transportation | 1,581 | 5,119 |
| Web design and printing | 1,304 | 520 |
| Interest and bank charges | 201 | 30 |
| Gift, promotions and registration kits | - | 634 |
| | 57,607 | 87,153 |
| EXCESS OF REVENUES OVER DISBURSEMENTS | 26,765 | 13,646 |
| Sponsoring club allocation of conference surplus | 13,900 | 7,334 |
| DISTRICT ALLOCATION OF CONFERENCE SURPLUS | \$ 12,865 | \$ 6,312 |

ROTARY INTERNATIONAL DISTRICT 7820 INCORPORATED

Schedule of District Governor Expenditures (Unaudited)

(Schedule 2)

Year Ended June 30, 2016

| | 2016 |
|---|-----------------|
| District Governor Expenditure Category | |
| District team training | \$ 14,017 |
| Mileage expense | 7,023 |
| Lodging and meals | 5,927 |
| Airfare and transportation | 4,469 |
| Phone and GoToMeeting | 4,206 |
| RI banners, pins, theme material | 3,706 |
| DG Elect training registration | 900 |
| Stationary, copies and postage | 458 |
| <hr/> | |
| Total District Governor expenditures | <hr/> \$ 40,706 |

Effective for the fiscal year ended June 30, 2016, Rotary District 7820 is required to disclose the District Governor expenditures. These expenditures are incurred by Rotary International and hence are not included in these financial statements.

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