

# **Rotary District 6450 Financial Review**

## **(Rotary Year 2019-2020)**

### **Final Report**

A Committee was appointed by Governor Charles Corrigan and approved by the District Board to perform a financial review of the District's Rotary Year, July 1, 2019 through June 30, 2020. The Committee Chair was PDG Chris Reilly (Darien Rotary Club) and the members were Michelle Balog (Joliet Rotary Club and the club's current President), James Daemicke (Orland Park Rotary Club and CPA) and Aaron Bondi (Naperville Downtown Rotary Club). Bret Mitchell, District Treasurer (Joliet Rotary Club) and Ed Graziano, District Chief Administrative Officer (Chicago Association Management), served as ex-officio members. The Committee was given access to electronic files of the Rotary Year 2019-2020 financial documents on September 15 and the Committee began their evaluation. These documents are stored in a cloud-based system, in addition to several regular hard drive backups.

The 2019-2020 Rotary Year was a most unusual year. The first 8 months were comparable to other years but then came the COVID-19 Pandemic. The Pandemic created significant changes to the general operations and the rest of the years events. PETs, District Conference, and Youth Exchange were cancelled. Certainty in planning for future events became all but impossible. In addition, the District had a change of its Chief Administrative Officer in the Rotary year's last quarter. There were issues consistent with such a transition.

During the process, the Committee interacted by phone, email, and via Zoom. Financial activities in five areas were reviewed in depth: The Rotary Foundation District Grants, the District's Foundation Dinner, the Youth Services RYLA event, District Administration and Training, and Profit and Loss statements. Reconciliation of Income and Expenses were attempted using the District's Bank Accounts and the many Reports made available to the Committee. A series of Issues, both General and Specific, were generated by the Committee's initial review.

The Issues were presented by email to Bret Mitchel and Ed Graziano. Many of the issues were easily resolved and if needed a correction made to the books. Additional records were also provided that help clarify some of the issues. In some instances, explanation and review of paper files by the District Administrator provided resolution to the committee's issues. A few require further investigation by the District Administrator and these are appended to this report. Once the issue is fully understood and resolved, The District Administrator or the District Board will make the necessary correction.

Some issues resulted in suggestions that the Committee thinks the District should address. For example, the use of better coding when entering data into the financial record system would significantly help future financial reviews. Forethought should be exercised when coding with respect to how the information will be printed out in all of the District Financial Reports. For example, Rotary International's stipend for the Governor's expenses currently is coded next to the Foundation. This stipend has nothing to do with The Rotary Foundation of Rotary International and thus its location is confusing. Other District activities appear in multiple different budget codes. Only after a deep dive into understanding the

budgeting coding system could the activities be reconciled. Another issue is split billings on checks (expenses posted to multiple codes) seriously impedes expense reconciliations (once supplied with the "Checks Detail" Report this problem became resolvable). There were a number on un-cashed checks identified by the review and payments from Rotary Year 2018-2019 that were significantly delayed in submittal for payment in this Rotary Year. The District Administrator pledges to set up new operational activities that will track late billing and non-cashed checks.

## **Results of the Review by Area**

The audit committee reviewed the Statement of Financial Position, Statement of Activities, and the annual budget. All questions raised by the committee were answered in a satisfactory manner. The financials and budget report presented for the fiscal year ending June 30<sup>th</sup>, 2020 appear to be accurate.

### **The Rotary Foundation of Rotary International**

District Foundation Committee activities are divided into two areas: Committee activities and Grant Management.

#### **1) Rotary Foundation Committee Activities:**

For the committee the only activity was the Foundation Dinner. Income and Expense for the dinner were reconciled. There was an issue with the College of PDG's pre-dinner reception expense but that was resolved when determined that cost was under Governance. The dinner had a small loss (\$383) but well worth the benefit of celebrating Foundation Giving within the District.

#### **2) The Rotary Foundation District Grants:**

Per Rotary International policy, the District maintains a separate checking account for the District Grant program. Reconciliation of Income and Expenses are complicated by club reporting and final closing of the books not being completely correlated with the Rotary Fiscal Year. The Grant checking account maintains a minimum balance of \$6,000 provided from the District Operating account. Prior to receipt of the next year's District Grant funding from the Rotary Foundation, the checking account is rebalanced at the \$6,000 level. The Committee questions if there is a continuing need for this rebalance and at what level.

While the funding option for District Grant is 25% of the District's contributions to the Annual Program 3 years prior, a Grant requesting the funds must be submitted to the Rotary Foundation. It's noted that the current policy and practice of the Grants Committee does not yield full use of the 25% of funds as a result of not all clubs requesting funds. While funds are not lost, these funds are the only available for local projects. The District has been reserving contingency funding in their submission to The Rotary Foundation, to support additional projects brought throughout the year or towards a special theme. We again encourage the full use annually of available District Grant funding. Perhaps it is time to make the contingency budget equal the 25% allocation.

## **Youth Services RYLA**

The COVID-19 Pandemic effectively stopped the Youth Exchange Program. In-Bound Students had to be sent home and those planning a 2020-21 Exchange had to be put on hold and funds returned. No attempt was made to financially review this Program.

The RYLA Program was successfully conducted. No attempt was made to balance Income. There were some initial issues with the financial reconciliation of expenses. Expenses added up to those posted in the "Profit & Loss Budget vs. Actual Report." However, they included what appears to be an erroneous expense (a DLP for \$7,402.23 indicated as a reversal - White Sox). This issue needs to be addressed. If that reversal is removed, RYLA had a profit of \$2,353.54 and it is not obvious where those funds are. Again, there were coding issues (a negative entry for Event Fees \$375 and later a positive entry of \$375 for YE Holiday Weekend) and a missing check.

## **District Administration**

Administration expense consists primarily of funds paid for Accounting and Office Support. In 2019-20, all fees were paid to the Past District Administrator's Company, Effectus with the exception of June and that was paid to Chicago Association Management, the new District Administrator's Company. The total fee paid to Effectus was \$48,400 consistent with a \$4,400 per month contract. Chicago Association Management was paid \$3,750 for the month of June. Accounting and Office support totals for the 2019-20 budget year were \$54,816.67 indicating that \$2,666.67 were expended on office items. No attempt to reconcile the office item expenses was attempted. Effectus has additional expenses coded to other accounts and it was not obvious what areas they were charged to. As mentioned in the introductory paragraphs, a facile split billing and/or coding system is critical to identifying what area of operation an expense reimbursement belongs to. Even though Effectus is no longer the administration company, a number of issues for Effectus accounting were submitted to be evaluated. However, based on the experience with past District Reviews it is the Committee's recommendation that the District Administrator not get too involved in potentially minor issues with the previous Administrator.

## **Training: PETs and District Events**

Review of the PETs program as well as the District Events led to no issues. Most of the events were cancelled and funds received, refunded. The numbers appeared to make sense. Thus, there are no issues in those categories.

Submitted by:

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