

Resolution 2025-02

Update of the Finance Committee Section of the District Policies & Procedures

Submitted by the District Advisory Council: PDG Janine McClanahan, Chair, District Governor Jane Winning, District Governor-Elect Jay Hislop, District Governor-Nominee Pete Herrmann, District Governor-Nominee Designate Christine Smith, Past District Governor Don Murphy, Past Club President Ray Call, and Past Club President Doug Fong.

Background: The Finance Committee is a critical part of District 5220's effective operation. A recent review of this section of the Policies & Procedures revealed that in several instances we are not in compliance with Rotary International, as well as the policy not reflecting our current procedures. This resolution puts us in compliance with RI, and reflects and improves our current procedures.

V. DISTRICT FINANCES

A. **BANK ACCOUNTS** - The District Finance Committee shall authorize the District Treasurer to establish a bank account called "The District Fund" for receiving income and disbursing expenses for District-sponsored projects and the administration and development of Rotary in the District. Additional bank accounts shall be established as determined necessary by the Finance Committee as set forth in "Section F, Custody of Funds," herein below.

B. FINANCE COMMITTEE

1. A Finance Committee shall be named by the District Governor Line (DGL) which consists of the Immediate Past District Governor (IPDG), the current District Governor (DG), the District Governor Elect (DGE), and the District Governor Nominee (DGN).

2. Composition of the Finance Committee shall be: District Governor, District Governor Elect, District Governor Nominee, Finance Committee Chair, District Treasurer, and 5 members-at-large.

a) Each member-at-large shall be appointed for a three-year term, and may serve two terms, whether consecutive or non-consecutive. Each member must be financially literate, and may be a past governor, past club president, past club treasurer, or an

accounting professional. Terms must be staggered so there remains a continuity of information on the Committee.

b) The District Governor shall serve on the Finance Committee as a non-voting member.

3. The Chair of the Finance Committee shall be recommended by the DGL, and be appointed by the DG for a three-year term, and may serve two terms, whether consecutive or non-consecutive. The Chair shall be a Rotarian in District 5220 who is financially literate, and may be a past governor, past club president, or an accounting professional. The Chair shall be a voting member of the committee.

4. The District Treasurer shall serve as a voting member of the Finance Committee, and shall be appointed for a three-year term, and may serve two terms, whether consecutive or non-consecutive. The District Treasurer may not serve simultaneously as Chair.

5. A Secretary of the Finance Committee shall be recommended by the DGL, and appointed by the DG from the voting members-at-large for a three-year term, and may serve two terms, whether consecutive or non-consecutive.

6. The Finance Committee shall meet as often as necessary, but not fewer than 6 times per Rotary year, on meeting dates and times designated by the Finance Committee Chair on an annual Rotary Year calendar. Rescheduled and special meetings shall be called by the Chair with 7 day notice, and all meetings may be conducted remotely using digital conferencing software. A quorum for a Finance Committee meeting is fifty percent plus one (50% + 1) of voting members.

C. ANNUAL FINANCIAL REVIEW:

1. Within one year of serving as governor, the immediate past governor must provide each club with an independently reviewed annual statement and report on district finances. This report must be discussed and adopted at a district meeting to which all clubs are entitled to send a representative and for which 30 days' notice has been given. Alternatively, within one year of serving as governor, the immediate past governor may ask the governor to conduct a club ballot for adoption of the statement and report. The statement and report shall be sent at least 30 days before the club ballot. The governor shall start this process within 30 days of receiving the request from the immediate past governor.

2. The review may be conducted by either a qualified accountant or a district review committee. The review committee shall be selected by the DG Line, and must:

- (a) have at least three active Rotary members in the District
- (b) include at least one member who is a past governor or an independent accounting professional, or otherwise financially literate person; and
- (c) not include any current governor, District Treasurer, signatory of district bank accounts, or member of the finance committee.

3. The annual statement shall include, but not be limited to, all:

- (a) sources of the district's funds (RI, TRF, district, and club);
- (b) funds received by or on behalf of the district from fundraising activities;
- (c) grants received from TRF or TRF funds designated by the district for use; (d) financial transactions of district committees;
- (e) financial transactions of the governor by or on behalf of the district;
- (f) expenditures of district funds; and
- (g) funds received by the governor from RI.

4. The annual statement as described above shall include all monies received by the governor. The governor shall also send the report of the district finances to the Rotary International General Secretary within 12 months of the completion of the governor's year in office with proof that the report has been independently reviewed and provided to each club for discussion and adoption at a district meeting in accordance with RI Bylaws section 15.060.4. Rotary International may impose penalties set forth in Section 69.030.5 of the Code of Policies of Rotary International for failure to comply with the standard set forth above.

D. BUDGET PREPARATION:

1. The DGE shall meet with the Finance Committee Chair, District Treasurer, the DG, DGN and the DGND before the regular meeting of the Finance Committee that precedes the Presidents Elect Learning Seminar (PELS) and create a proposed district budget for the coming year. The budget shall be established for the district in a manner consistent with the way the budget is established for Rotary International. The proposed budget for the district shall not contain budgeted expenses that exceed total anticipated revenue unless prior surplus funds are allocated. The DG, with the approval of the Finance Committee, may revise the budget for his/her year at any time, provided that anticipated total expenses shall not exceed total anticipated revenue and surplus allocations.

2. The DGN and the DGND shall each provide a proposed budget for expenses anticipated during the following year in office as DGE and DGN, to be included in the district budget.

a)The district budget shall include a stipend towards the expenses of the DGE; items such as stationery, printing, pins, and other expenses necessary to prepare for his/her year as DG. In addition, there will be a stipend towards the expenses, (i.e. event registration, lodging for duration of the event, meal package offered, reasonable economy transportation to/from the event, transportation from/to airport, alcohol not included) to attend such meetings as district training events, Governor-Elect Learning Session, the Rotary Zone Institute, and the Rotary International Convention, and shall include expenses for the spouse/partner at events that have a partner training or participation track.

b) The district budget shall include a stipend towards the expenses of the DGN, and DGND which may include stationery, business cards, postage, etc. to begin preparation for the year in which he/she will serve. In addition, there will be a stipend towards the expenses (i.e. event registration, lodging for duration of the event, meal package offered, reasonable

economy transportation to/from the event, transportation from/to airport, alcohol not included) to attend such meetings as Governor-Nominee Learning Session, and the Rotary Zone Institute, and shall include expenses for the spouse/partner at events that have a partner training or participation track.

3. APPROVAL OF BUDGET -The proposed District budget, as approved by the Finance Committee shall be printed and distributed to the presidents-elect of the clubs at least 30 days prior to the President-Elects Learning Seminar (PELS). The proposed budget shall be presented for discussion and approval by a majority vote at a meeting of the presidents-elect at PELS. Once approved by the Presidents-Elect, the budget shall be considered-adopted and shall become the official budget for the ensuing Rotary year.

E. STATEMENT OF DISTRICT FINANCES:

1. The governor must provide an annual statement of the district finances in accordance with RI guidelines.

2. A financial report including financial statements prepared in accordance with generally accepted accounting principles and comparing actual results to budgeted amounts shall be presented by the District Treasurer to the Finance Committee at its regular meetings. A financial report shall be made on the same basis no less than quarterly to the District Leadership Council, also referred to as "The Cabinet," preferably at District Leadership Council meetings. The IPDG, along with the Finance Committee and District Treasurer shall submit financial statements to all members of the Cabinet, relating to the financial State of the District to the budget within 60 days following the end of the DG's term of office. The Finance Committee shall submit financial statements to each club within ninety (90) days following the close of the Rotary year.

F. EXPENDITURE OF DISTRICT FUNDS:

1. Upon approval of the district's budget by the presidents-elect and the Finance Committee, the DGE shall provide the District Treasurer with a copy of the approved District budget.

2. The Finance Committee shall approve, at the beginning of the year, an expense reimbursement and vendor payment request form upon which requests for expenditures shall be submitted. Signature approval by the appropriate committee chairman is required unless the DG approves the expenditure in place of the committee chairman. The requests for approval of expenditures should be submitted and must receive a signature of approval from the District Governor and either the District Treasurer or Chair of Finance. In no case shall a request be approved by the same person who made the request or will sign the check. Electronic signature will be an acceptable method for approving expenditures, in lieu of or in combination with original "wet ink" signatures. The Finance Committee must approve an online document signing process prior to allowing this method of approval to be used. All requests for expenditures will be sent to the District Treasurer who will request electronic signature approvals from the district officers as described. Expenditures are required to be submitted within 60 days of when the expense is incurred up until March 31; within 30 days

between April 1 to May 31; and within 15 days from June 1 to June 30. Following this timeline will provide payment to vendors and individuals in a timely manner, allow the Finance Committee to meet its oversight responsibilities, and allow the District Treasurer to complete all financial transactions and end-of-the-year accounting in a timely manner. Note: The longer time earlier in the year helps a DG deal with those expenses while he/she is doing visits and conducting most of the district events.

3. The District Treasurer is authorized to pay only those budgeted expenditures or reimbursements approved by the DG or in his/her absence, the Finance Committee Chair.

4. Expenditure of district funds shall require documentation and/or notations:

- a) An invoice or similar document to support the expense to be paid.
- b) Budget allocation to be charged.
- c) Receipt indicating payment has been made for reimbursements.

5. Requests for previously unbudgeted funds (including amounts greater than budgeted) shall be submitted to the District Governor or Finance Committee Chairman. Reasonable effort must be made to submit such requests prior to June 15 in the Rotary Year, and not later than July 31 of the following Rotary Year for expenditures near the year-end of June 30. A majority of the Finance Committee must approve disbursement of such funds. Approval shall only be made upon completion of any necessary adjustments by the Finance Committee to ensure a balanced budget and the adequacy of district funds. Should the recipient of any unbudgeted funds be a member of the Finance Committee, or have approval authority for such unbudgeted funds, he/she shall refrain from voting or offering approval of such unbudgeted request.

6. Expenditures that are not included in the budget or have not been approved as outlined in these sections or do not meet the submission requirements outlined in 2. above shall not be paid and will become the personal expense of the person who initiated the expenditure.

7. District expenditures for the purpose of travel to the District Conference, Zone Institute, International Convention, PELS or any other such meeting of Rotary by the DG, the DGE, DGN, or the DGND shall be limited to those funds allocated in the district budget for such purposes. The amount budgeted should be designed to cover major expenses, (i.e. event registration, lodging for duration of the event, meal package offered, reasonable economy transportation to/from the event, transportation from/to airport, alcohol not included), but the amount finally budgeted is the maximum that can be expended without approval of the Finance Committee as specified above. The payment of unbudgeted funds for travel by the designated district officers may be made only if prior approval has been received from the District Finance Committee and the necessary adjustments to the budget to cover such expenses have been made.

8. Each member of the District Governor Line (DGL); District Governor (DG), District Governor Elect (DGE) District Governor Nominee (DGN), and the District Governor Nominee Designate (DGND) shall have the option to request advances of budgeted funds meant to cover expenses related to performing their district roles and responsibilities. Each of these

advances is limited to 25% percent of the year's total budgeted funds. Allowed percentages will be reviewed and, if needed, adjusted by the Finance Committee every three years. After the first request, before there are any subsequent advances, receipts substantiating expenses and a district reimbursement form detailing the covered expenses must be submitted and approved as per District policies.

G. CUSTODY OF FUNDS:

1. Rotary District 5220 has multiple accounts into which funds are deposited. Each account is a separate bank account, and has separate officers providing oversight, review, and established procedures. These accounts are:

- a) Rotary District 5220 for district administration and activities.
- b) Rotary District 5220 for grant funds received from The Rotary Foundation.
- c) Funds received from Rotary International for District Governor expenses.

2. All disbursements of Rotary district funds shall be made by check or electronic transfer from the appropriate Rotary District 5220 account. Wire transfers are to be authorized by the signatures of two people who are authorized to sign checks on the account unless the transfer is to another District 5220 account in which case no signature is required. The District Treasurer, following the direction of the Finance Committee, may transfer funds between bank and/or investment accounts.

3. District accounts for district administration and activities, and Funds received from Rotary International for District Governor expenses shall be administered by the District Treasurer. Grant funds are administered by the Grants Committee Treasurer according to processes and rules set forth by The Rotary Foundation.

4. The district shall maintain an unrestricted reserve of not less than \$75,000. This is intended to be an emergency reserve. The determination of what constitutes an emergency will be made by the Finance Committee under the guideline that it involves properly authorized expenditures for which anticipated revenues are not realized through circumstances beyond the district's control. Any reserves accumulated from annual revenues exceeding annual expenses may be budgeted or used for unbudgeted expenses by an affirmative vote of a quorum of members of the Finance Committee.

5. Rotary District 5220 accounts shall require two signatures. The persons authorized to sign on district bank accounts shall be the District Governor, the District Treasurer, and the District Finance Committee Chair. The District Governor may not be authorized to sign checks from the account designated for receiving funds from RI for the DG.

6. All funds received by the DG from Rotary International shall become a part of the district budget from which the budgeted expenses of the District Governor shall be paid. Funds derived from any source of revenue whose purpose is to support the programs of the district shall become a part of the district budget and appropriately recorded in the accounting of the district.

7. Checks that are received from donors or on behalf of donors but are made out directly to the Rotary Foundation or other agencies are not considered a part of the district general fund and do not come under the provision of this section on the district budget. Amounts received in other forms but intended for the Rotary Foundation or other agencies shall be promptly remitted to the intended recipient and, similarly, will not become part of the district budget.

8. Designated funds such as those for RYLA and the annual district conference may not be used to support general fund expenditures. Designated funds may not be used for any purpose not necessary for maintaining those designated line items. Any cumulative positive balance in a designated line item may be used to offset a current year deficit in the same line item at the discretion of the Finance Committee. Cumulative deficits in designated funds may be offset by allocations from general funds or by projected surpluses at the discretion of the Finance Committee.

9. Cumulative deficits in any line items may be offset by allocations from general funds, projected surpluses, or excess unrestricted reserves at the discretion of the Finance Committee.