

Rotary International

*Single Audit Reports and
Schedule of Expenditures of Federal Awards for
the Year Ended 30 June 2003*

ROTARY INTERNATIONAL

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PART I

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON
THE AUDIT PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE
AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
Rotary International:

We have audited the consolidated financial statements of Rotary International as of and for the year ended 30 June 2003 and have issued our report thereon dated 5 September 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether Rotary International's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Rotary International's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Directors, Finance Committee of the Board, management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

5 September 2003

PART II

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Rotary International as of and for the year ended 30 June 2003 and independent auditors' report thereon are submitted to the appropriate agencies separately and are incorporated herein by reference.

PART III

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO
EACH MAJOR FEDERAL AWARD PROGRAM AND ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Board of Directors
Rotary International:

COMPLIANCE

We have audited the compliance of Rotary International ("Rotary") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended 30 June 2003. Rotary's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Rotary's management. Our responsibility is to express an opinion on Rotary's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rotary's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination on Rotary's compliance with those requirements.

In our opinion, Rotary complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended 30 June 2003.

INTERNAL CONTROL OVER COMPLIANCE

The management of Rotary is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Rotary's internal control over compliance with requirements that could have a direct and material effect on the major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of Rotary's internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving Rotary's internal control over compliance and its operation that we consider to be material weaknesses.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the basic consolidated financial statements of Rotary as of and for the year ended 30 June 2003, and have issued our report thereon dated 5 September 2003. Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the basic consolidated financial statements. This schedule is the responsibility of the management of Rotary. Such information has been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the basic consolidated financial statements taken as a whole.

This report is intended solely for the information of the Board of Directors, Finance Committee of the Board, management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

5 September 2003

PART IV

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

ROTARY INTERNATIONAL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED 30 JUNE 2003

Agency/Program/Grant Name	Federal CFDA Number	Total Expenditures	Total by Federal Grantor
GRANT TYPE: The Library of Congress Open World Program CRLD—0216	N/A	\$ 424,701	\$ 424,701

See notes to the Schedule of Expenditures of Federal Awards.

ROTARY INTERNATIONAL

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED 30 JUNE 2003**

1. SCOPE OF AUDIT

Rotary International (“Rotary”) is a corporation organized under the Illinois Not-for-Profit Corporation Act. Rotary is an organization of business and professional leaders united worldwide, who provide humanitarian service, encourage high ethical standards in all vocations and help build goodwill and peace in the world.

Major Program Background—The Open World Program enables emerging Russian leaders to experience U.S. democracy and free enterprise in action within communities across the United States. Rotary communities have hosted delegations from Russia under the economic development, education reform, environment, health issues, rule of law and women as leaders themes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting—The Schedule of Expenditures of Federal Awards includes the federal grant activity of Rotary and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. All program outlays, including accrued expenditures, are reported as expenditures. Related revenues are recognized, as earned, up to award amounts for financial statement and program reporting.

Cost Allocation—Rotary has a policy, which allows for the allocation of indirect costs such as salaries, benefits and other miscellaneous organizational costs relating to grant programs. Indirect costs are allocated to the grant based on the percentage of time spent by the specific support organization on the grant.

3. SUBRECIPIENTS

Rotary passed through 74.1% percent of its federal awards to Rotary Club and District program hosts during the year ended 30 June 2003.

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PART V

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ROTARY INTERNATIONAL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED 30 JUNE 2003

Section I - Summary of Independent Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified			
Internal control over financial reporting:				
Material weakness(es) identified?	_____	Yes	<u> X </u>	No
Reportable condition(s) identified not considered to be material weaknesses?	_____	Yes	<u> X </u>	No
Noncompliance material to financial statements noted?	_____	Yes	<u> X </u>	No

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?	_____	Yes	<u> X </u>	No
Reportable condition(s) identified not considered to be material weakness(es)?	_____	Yes	<u> X </u>	No
Type of auditors' report issued on compliance for major programs?	Unqualified			
Any audit findings disclosed that are required to be in accordance with Section .510(a) of Circular A-133?	_____	Yes	<u> X </u>	No

Identification of major program:

Federal CFDA/Contract Number

CFDA # N/A/CRLD-0216

Name of Federal Program or Cluster

Open World Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low risk auditee	_____	Yes	<u> X </u>	No
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PART V

Section II - Financial Statement Findings

There were no financial statement findings during the year ended 30 June 2003.

PART V

Section III - Federal Award Findings and Questioned Costs

**There were no federal award findings and questioned costs during the year ended
30 June 2003.**

PART VI

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

ROTARY INTERNATIONAL

SUMMARY OF PRIOR YEAR AUDIT FINDINGS YEAR ENDED 30 JUNE 2003

Prior Year Financial Statement Findings

Not Applicable.

Prior Year Federal Award Findings and Questioned Costs

Not Applicable.