

Lead Your District: Finance Committee



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Alternate District Governor Funding Process

For district finance committee chairs participating in the new district governor funding process from 2017 to 2020.

This is the 2017 edition of Lead Your District: Finance Committee, formerly the District Finance Resource Guide. The roles, responsibilities, and best practices outlined in this guide are for all district finance committee chairs holding office in 2017-18, 2018-19, and 2019-20. The information in this publication is based on Rotary's [constitution and policy documents](#). Changes to Rotary's constitution and policy documents override policy as stated in this publication.

Thank you for agreeing to serve as district finance chair. This manual will help you understand your role in supporting clubs with financial management and working with your district team. Also, refer to the [Lead Your District: Committee Chair](#) manual for tips on running an effective committee. It also contains discussion questions that can help prepare you for your role.

Questions?

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1 ROLE AND RESPONSIBILITIES



The district finance committee works closely with the governor to supervise the district fund, prepare the budget, recommend the per capita levy amount, and prepare the annual statement. You are responsible for maintaining the transparency of district finances and ensuring that proper records of income and expenditures are kept.

To better understand your role, start locally. Discuss your role with your district governor and past district finance committee chairs.

| Before the fiscal year | During the fiscal year | After the fiscal year |
|---|--|---|
| <ul style="list-style-type: none">• Submit a budget.• Recommend the amount of per capita levy for approval.• Set up bank accounts and name two signatories. | <ul style="list-style-type: none">• Monitor finances.• Keep proper records. | <ul style="list-style-type: none">• Prepare annual statement and report of district finances.• Arrange for an independent review of the statement and report.• Distribute annual statement and report of district finances to clubs by 30 September.• Present and adopt the annual statement. |

Your district fund needs to be established only once; it is not an annual process. Most districts have already established this fund, but if your district has not done so, work with your governor to prepare a resolution for the next district conference.

Establishing the district budget

Work with the governor-elect and governor to prepare a budget. Submit the budget plan to clubs four weeks before the district training assembly, at which presidents-elect vote to approve it.

When planning your budget, consider:

- The necessary costs of district administration
- Expenses that support the responsibilities of the governor and governor-elect

- Special club and district events that the governor or governor-elect may attend
- District visits from your zone's director and from officers of Rotary International and The Rotary Foundation

Establishing or changing the district levy

The district per capita levy generates money for the district fund, which is used to pay district expenses. The annual budget determines an appropriate levy amount. The per capita levy may be established by at least three-fourths of the incoming club presidents at the presidents-elect training seminar or at the district training assembly, or by a majority of electors present and voting at a district conference. Once the levy is established, additional approval is required only if the levy amount needs to change.

Annual statement and report of district finances

Your committee will prepare this annual statement and report which ensures that clubs know how the district fund is being used. The importance of an accurate statement cannot be overemphasized. The annual statement and report of district finances ensures complete financial transparency with the clubs in the district and with Rotary International. This is a primary and critical task assigned to the district finance committee.

Contact your Club and District Support representative if you'd like a financial statement template.

Preparation

To fulfill Article 16.060.4. of the [RI Bylaws](#), work with your immediate past governor to prepare the annual statement and report of district finances. In your report, mention all sources of district funds, including:

- All funds received by or on behalf of the district from fundraising activities
- Funds of The Rotary Foundation including grants
- All district committees' financial transactions
- All of the governor's financial transactions by or on behalf of the district
- All district fund expenditures
- All funds from RI to the governor

Independent review

Arrange for a qualified accountant or a district audit committee to independently review your annual statement and report of district finances.

If you choose an audit committee, it consists of at least three active Rotarians and includes at least one member who is a past governor or who has audit experience. Choose committee members who did not serve as governor, treasurer, bank account signatory, or as a member of the finance committee for the fiscal year being audited. The procedures for selecting the members are determined by a resolution at a district conference.

Distribution

Distribute the reviewed statement and report to all district clubs by 30 September following the governor's term. Send RI a copy of the report by the same date, with proof of independent review and distribution.

Adoption

The annual statement and report is discussed and formally approved at the next district meeting. Provide 30 days' notice so all clubs can send a representative. If it is not adopted then, it is moved for discussion and adoption at the district conference. If the annual statement still has not been discussed and approved at the conference, you need to plan for its formal adoption within three months of the conference. If no such meeting takes place, you must conduct a ballot-by-mail within 60 days of the district conference.

Handling district funds

To ensure that one person doesn't control all finances and risk the possibility of financial malpractice, establish procedures for handling district finances and setting up bank accounts in district's name. A member of the committee, usually the treasurer, must be a signatory on the bank account(s) of the district fund, together with the district governor. Both signatures are required for any withdrawal.

It is essential to maintain separate bank accounts for specific funds. For instance, if your district raises funds for a multidistrict Rotary Youth Exchange, a bank account is opened designating the chair as one of the signatories, and preferably the district governor or the treasurer as the other signatory.

2 BEST PRACTICES



Your committee can support clubs by promoting effective financial management practices. This will ensure that club leaders are accountable and their actions transparent in their management of club finances.

When working with club treasurers, refer to the [Lead Your Club: Treasurer](#) manual to learn more about administrative and fundraising practices. Also, support clubs by promoting the importance of risk management and local government regulations.

Risk management

This is a process aimed at identifying causes of possible loss and determining ways to lessen the financial impact of a possible loss. To manage risks, work with clubs to:

- Consult local legal counsel to draft and review legal documents
- Require district approval for any operating expenses that exceed a certain threshold, such as \$50,000
- Review and assess risks associated with club activities
- Secure appropriate insurance coverage (consult a local insurance professional)
 - Clubs and districts in the United States and its territories and possessions are covered by the U.S. Rotary Club and District Liability Insurance Program. This includes general liability as well as directors and officers/employment practices liability policies. This program is funded by all active U.S. clubs.

Local laws and taxes

You can support your clubs by knowing the local and national tax codes of your location.

- Create a method for staying current on local tax requirements and laws.
- Determine what records districts or clubs need to retain and for how long.
 - Register the district with the government, if required.
 - Present district tax documentation annually, if required by the local or national tax code.
 - The law requires all clubs in the United States to submit an informational return to the Internal Revenue Service every year. Check the [IRS](#) for more information.
- Understand prohibitions on certain activities.
- Know regulations regarding third-party reviews or audits of financial records.
- Set requirements for reporting donated funds.

APPENDIX: ALTERNATE DISTRICT GOVERNOR FUNDING PROCESS



This section is only for district finance chairs who have agreed to test a new district governor funding process. The requirements for participating districts are outlined below.

Receiving funds

- Learn the funding amount from RI in February.
- Have your committee submit a completed district payee form by 28 April to enable RI to send the district governor the funding payment each July. The district bank account must have at least two Rotarian signatories from the district finance committee.
- Receive 100 percent of the governor funding in the district account on 1 July.

Disbursing funds

- Distribute funds from the district account to the governor for eligible expenses, such as club visits, training events, office supplies, and other related expenses.
- Consider giving the district governor an advance for eligible expenses.
 - Establish a percentage based on total funds provided.
 - Review previous expense statements before disbursing additional funds.

Managing funds

- Determine how frequently governors must report expenses for reimbursement.
- Ask governors to provide expense documents as required by local laws.
- Report any substantiated misuse and mismanagement to your Club and District Support representative.
- Maintain appropriate recordkeeping systems to comply with local laws.
- Agree to return to the standard district governor funding process on 1 July 2020.

Reporting

- Submit the district governor funding report form to RI by 31 July following the governor's term. Include expenses incurred as a governor-nominee, governor-elect, and governor.
- Return any unused funds to RI by 30 September following the governor's term.
- Cooperate with any audits (financial, district governor funding, operational).
- Provide annual feedback about this process to Rotary International.

If you have any questions about the alternate governor funding process, contact your [Club and District Support representative](#).