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October 10, 2022

To the Board of Directors  
Environmental Sustainability Rotarian Action Group, Inc.  
2 South Carrol St, Suite 255  
Madison, Wisconsin 53718

RE: Environmental Sustainability Rotarian Action Group, Inc.  
("ESRAG")

The undersigned members of the ESRAG Audit Committee are pleased to provide the Board with this letter containing results of our review of the financial statements of ESRAG for the year ended June 30, 2022. This letter is based on an examination of certain financial records of ESRAG and discussions with Larry Hands, previous Treasurer, and Fred Peck, current Treasurer, on October 4, 2022, and is based on the procedures as outlined in the following paragraphs.

Scope of Review

We provided these services to the Board for the purposes of complying with Rotary International Code of Policies 42.030.9 *Independent Review of Financial Statements*. Although this review included an examination of some accounting records and a sample of some of ESRAG's transactions, it was not intended to be an audit or review as prescribed by the American Institute of Certified Public Accountants and therefore we are not providing an opinion or other level of assurance on the financial statements.

Procedures

*Internal Controls over receipts and disbursements*

We reviewed the system of controls over receipts and disbursements and discussed with the Treasurers current internal controls. We reviewed the Board resolution for Disbursements policy approved by the Board November 20, 2019 to determine if those practices were being adhered to. The Treasurer indicated that a bookkeeper was hired and that the bookkeeper is now preparing the bank reconciliation and that the Treasurer reviews it. We recommend that this review be documented on a bank statement review form or by a saved email confirmation of the procedure. We discussed the cash receipts system and found that the majority of checks are received through Paypal, Pay Factory or Strike and that only 8-10 checks are received by the Treasurer each year. Risk of loss is minimal, and the cost of mitigation would outweigh the benefits of control for these checks. We recommend that the Disbursements Policy, Treasurer Duties along with any other policies and procedures be documented an Accounting Policies and Procedure manual in the coming year

A new membership database system, I-Member was implemented during the year. It integrates membership database with the general ledger; however, it no longer integrates with the bank, so all transactions through the bank account need to be manually implemented. Risk of error could occur during this process of double entry.

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*Checking /Savings accounts*

We obtained the bank reconciliations for the checking account and compared the balance to that reflected in the financial statements. We also reviewed the June 30<sup>th</sup> bank statements online and traced the reconciling items into the bank reconciliations. We noted that the savings account was earning a nominal interest rate. We recommend that ESRAG investigate other investment opportunities based on liquidity needs.

No discrepancies were noted in the reconciliations.

*Prepaid Dues*

Prepaid dues for members who pay the 5-year memberships is now being tracked in I-Member whereas it had previously been tracked in a spreadsheet. We recommend that, at least annually, a Member Report be printed from I-Member and reconciled to the outstanding balance. As of June 30, 2022, the outstanding prepaid dues was \$23,561.

*Restricted Grants- Unspent funds*

Unspent funds are now being reported in the Balance Sheet and consists of Carbon Offset, Rotaract, and E-Club funds. This change in accounting will more accurately reflect Generally Accepted Accounting Principles.

*Income*

We compared the current balances in the income accounts to the annual budget. In instances where there was a significant balance, we inquired of the Treasurers for an explanation of the variance. We noted that variances in revenue could be attributed to a change in accounting method for the 5-year memberships. We recommend that ESRAG now budget on the modified cash basis for memberships.

There were no significant variations which would require further investigation.

*Expenses*

We compared the current balances in the expense accounts to the annual budget. In instances where there was a significant balance, we inquired of the Treasurers for an explanation of the variance.

There were no significant variations which would require further investigation.

*Action Group Minutes*

We reviewed the minutes for the group for items that may impact the financial statements or that could be verified as having been processed through the group's accounts. We noted that the Board approved the annual budget at its meeting on May 20, 2021. We recommend that any larger, unanticipated grants or gifts, especially those with restrictions, be acknowledged in the minutes.



These comments and recommendations are based upon the scope of our review.  
It has been our privilege to serve ESRAG.

Sincerely,

Scott R. Haumersen, CPA  
Rotary Club of Madison  
Madison, Wisconsin

Robert Stroud, Attorney  
Past District Governor  
Rotary Club of Madison  
Madison, Wisconsin

Steve Kyle, Attorney  
Ambassadors Rotary Club  
Kansas City, Missouri

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