

LIONS CLUBS INTERNATIONAL FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and 2020

LIONS CLUBS INTERNATIONAL FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Lions Clubs International Foundation
Oak Brook, Illinois

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Lions Clubs International Foundation (the "Foundation"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lions Clubs International Foundation as of June 30, 2021 and 2020, and the changes in its net assets, and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Foundation has adopted ASU 2014-09, *Revenue from Contracts with Customers: Topic 606*. Our opinion is not modified with respect to this matter.

Crowe LLP

Crowe LLP

Chicago, Illinois
November 10, 2021

LIONS CLUBS INTERNATIONAL FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 16,346,779	\$ 6,956,746
Accrued investment income receivable	312,622	320,691
Accounts receivable, net	77,246	51,057
Due from non-United States Lions Clubs districts	1,146,588	1,003,694
Due from the International Association of Lions Clubs	5,880,774	4,708,926
Prepaid expenses	1,165,385	1,141,147
Promises to give, net	9,316,302	13,171,718
Investments	346,869,801	294,546,003
Property and equipment, net	419,457	575,165
Other assets	-	5,229
	<u>\$ 381,534,954</u>	<u>\$ 322,480,376</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 664,610	\$ 798,832
Accrued expenses	739,494	483,536
Deferred revenue	115,885	-
Grants payable	17,416,630	18,947,332
Charitable gift annuities	<u>70,427</u>	<u>78,854</u>
Total liabilities	19,007,046	20,308,554
Net assets		
Without donor restrictions	320,912,233	253,132,559
With donor restrictions	<u>41,615,675</u>	<u>49,039,263</u>
Total net assets	<u>362,527,908</u>	<u>302,171,822</u>
	<u>\$ 381,534,954</u>	<u>\$ 322,480,376</u>

The accompanying notes are an integral part of these consolidated statements.

LIONS CLUBS INTERNATIONAL FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating			
Revenue and gains			
Contributions	\$ 37,291,169	\$ 9,167,010	\$ 46,458,179
Program revenue, net	78,376	-	78,376
Investment return, net	16,203,835	-	16,203,835
Net assets released from restrictions - satisfaction of purpose restrictions	<u>16,836,796</u>	<u>(16,836,796)</u>	<u>-</u>
Total operating revenue and gains	70,410,176	(7,669,786)	62,740,390
Expenses and losses			
Program services			
Grants	30,016,054	-	30,016,054
SightFirst	1,717,250	-	1,717,250
Lions Quest	1,725,619	-	1,725,619
Other	<u>2,119,903</u>	<u>-</u>	<u>2,119,903</u>
Total program services	35,578,826	-	35,578,826
Administrative	4,117,043	-	4,117,043
Development	<u>8,687,541</u>	<u>-</u>	<u>8,687,541</u>
Total operating expenses	48,383,410	-	48,383,410
Operating revenue and gains in excess of (less than) operating expenses	<u>22,026,766</u>	<u>(7,669,786)</u>	<u>14,356,980</u>
Non-Operating			
Revenue and gains			
Investment return, net	45,992,904	246,198	46,239,102
Net loss on currency exchange	(238,000)	-	(238,000)
Change in value of charitable gift annuities	(2,011)	-	(2,011)
Other income	<u>15</u>	<u>-</u>	<u>15</u>
Total non-operating revenue and gains	45,752,908	246,198	45,999,106
Changes in net assets	67,779,674	(7,423,588)	60,356,086
Net assets, beginning of year	<u>253,132,559</u>	<u>49,039,263</u>	<u>302,171,822</u>
Net assets, end of year	<u>\$ 320,912,233</u>	<u>\$ 41,615,675</u>	<u>\$ 362,527,908</u>

The accompanying notes are an integral part of these consolidated statements.

LIONS CLUBS INTERNATIONAL FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating			
Revenue and gains			
Contributions	\$ 35,347,124	\$ 18,247,251	\$ 53,594,375
Program revenue, net	597,641	-	597,641
Investment return, net	17,129,663	-	17,129,663
Net assets released from restrictions - satisfaction of purpose restrictions	<u>20,786,141</u>	<u>(20,786,141)</u>	<u>-</u>
Total operating revenue and gains	73,860,569	(2,538,890)	71,321,679
Expenses and losses			
Program services			
Grants	33,060,216	-	33,060,216
SightFirst	1,950,238	-	1,950,238
Lions Quest	2,365,154	-	2,365,154
Other	<u>2,288,374</u>	<u>-</u>	<u>2,288,374</u>
Total program services	39,663,982	-	39,663,982
Administrative	4,851,576	-	4,851,576
Development	<u>10,374,661</u>	<u>-</u>	<u>10,374,661</u>
Total operating expenses	54,890,219	-	54,890,219
Operating revenue and gains in excess of (less than) operating expenses	<u>18,970,350</u>	<u>(2,538,890)</u>	<u>16,431,460</u>
Non-Operating			
Revenue and gains			
Investment return, net	(5,079,491)	21,848	(5,057,643)
Net loss on currency exchange	(299,923)	-	(299,923)
Change in value of charitable gift annuities	45,453	-	45,453
Other income	<u>68,859</u>	<u>-</u>	<u>68,859</u>
Total non-operating revenue and gains	<u>(5,265,102)</u>	<u>21,848</u>	<u>(5,243,254)</u>
Changes in net assets	13,705,248	(2,517,042)	11,188,206
Net assets, beginning of year	<u>239,427,311</u>	<u>51,556,305</u>	<u>290,983,616</u>
Net assets, end of year	<u>\$ 253,132,559</u>	<u>\$ 49,039,263</u>	<u>\$ 302,171,822</u>

The accompanying notes are an integral part of these consolidated statements.

LIONS CLUBS INTERNATIONAL FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2021

	Program Services			Total Program	Administrative	Development	Total
	SightFirst	Lions Quest	Other Programs				
Grants	\$ 4,347,972	\$ 1,342,830	\$ 24,325,252	\$ 30,016,054	\$ -	\$ -	\$ 30,016,054
Salaries and related costs	658,259	763,014	1,419,914	2,841,187	1,978,677	2,384,479	7,204,343
Allocation of headquarters costs	240,817	338,671	572,103	1,151,591	1,513,687	874,681	3,539,959
Donor recognition	-	-	-	-	-	3,402,317	3,402,317
Travel	4,787	(1,611)	(3,346)	(170)	19,951	363,322	383,103
Professional services	706,535	249,560	60,575	1,016,670	235,783	973,894	2,226,347
Convention, trainings and meetings	12	7,182	15	7,209	14,650	15,256	37,115
Program development	-	208,254	-	208,254	-	-	208,254
Auxiliary staff expenses	-	-	-	-	-	36,000	36,000
Advertising and promotion	19,696	58,801	19,696	98,193	-	439,505	537,698
Translation expense	-	3,894	825	4,719	60	4,839	9,618
Office expense	4,437	(5,931)	12,640	11,146	56,286	161,834	229,266
Sponsorship fees	62,408	-	-	62,408	-	-	62,408
Credit card fees	-	2,498	-	2,498	136,944	-	139,442
Fulfillment warehouse	-	77,320	-	77,320	-	-	77,320
Depreciation	19,842	-	36,850	56,692	99,016	-	155,708
Equipment	-	-	-	-	8,000	2,714	10,714
Other	457	23,967	631	25,055	53,989	28,700	107,744
	<u>\$ 6,065,222</u>	<u>\$ 3,068,449</u>	<u>\$ 26,445,155</u>	<u>\$ 35,578,826</u>	<u>\$ 4,117,043</u>	<u>\$ 8,687,541</u>	<u>\$ 48,383,410</u>

The accompanying notes are an integral part of these consolidated statements.

LIONS CLUBS INTERNATIONAL FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2020

	Program Services				Administrative	Development	Total
	SightFirst	Lions Quest	Other Programs	Total Program			
Grants	\$ 8,137,378	\$ 1,144,547	\$ 23,778,291	\$ 33,060,216	\$ -	\$ -	\$ 33,060,216
Salaries and related costs	591,936	833,893	1,399,085	2,824,914	2,018,876	2,180,034	7,023,824
Allocation of headquarters costs	247,124	373,541	599,650	1,220,315	1,638,346	792,232	3,650,893
Donor recognition	-	-	-	-	-	3,183,185	3,183,185
Travel	124,527	521,496	94,210	740,233	466,582	1,812,340	3,019,155
Professional services	799,986	155,916	76,345	1,032,247	340,367	1,854,138	3,226,752
Convention, trainings and meetings	3,707	9,088	3,707	16,502	-	21,211	37,713
Program development	-	168,875	-	168,875	-	-	168,875
Auxiliary staff expenses	-	-	-	-	-	100,370	100,370
Advertising and promotion	35,389	82,634	36,494	154,517	-	223,373	377,890
Translation expense	-	4,546	2,674	7,220	19,628	54,527	81,375
Office expense	7,256	13,410	12,206	32,872	36,309	101,551	170,732
Sponsorship fees	90,665	-	-	90,665	-	-	90,665
Credit card fees	-	1,970	-	1,970	116,459	-	118,429
Fulfillment warehouse	-	116,486	-	116,486	-	-	116,486
Depreciation	34,017	-	63,175	97,192	90,324	-	187,516
Equipment	14,882	5,922	6	20,810	107,131	38,463	166,404
Other	749	77,377	822	78,948	17,554	13,237	109,739
	<u>\$ 10,087,616</u>	<u>\$ 3,509,701</u>	<u>\$ 26,066,665</u>	<u>\$ 39,663,982</u>	<u>\$ 4,851,576</u>	<u>\$ 10,374,661</u>	<u>\$ 54,890,219</u>

The accompanying notes are an integral part of these consolidated statements.

LIONS CLUBS INTERNATIONAL FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 60,356,086	\$ 11,188,206
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	155,708	187,516
Net realized and unrealized gains on investments	(57,064,370)	(6,317,147)
Changes in operating assets and liabilities		
Accrued investment income receivable	8,069	107,137
Accounts receivable	(26,189)	16,552
Due from non-United States Lions Clubs districts	(142,894)	(442,765)
Due from The International Association of Lions Clubs	(1,171,848)	(4,708,926)
Prepaid expenses	(24,238)	(31,089)
Promises to give, net	3,855,416	(3,953,967)
Other assets	5,229	42,744
Accounts payable and accrued expenses	121,736	721,413
Due to the International Association of Lions Clubs	-	(1,484,154)
Deferred revenue	115,885	-
Grants payable	(1,530,702)	(6,778,681)
Charitable gift annuities	(8,427)	(56,157)
Net cash provided by (used in) operating activities	<u>4,649,461</u>	<u>(11,509,318)</u>
Cash flows from investing activities		
Purchases of investments	(81,997,601)	(135,035,816)
Proceeds from sale of investments	86,738,173	148,664,031
Purchases of property and equipment	-	(260,788)
Net cash provided by investing activities	<u>4,740,572</u>	<u>13,367,427</u>
Change in cash and cash equivalents	9,390,033	1,858,109
Cash and cash equivalents, beginning of year	<u>6,956,746</u>	<u>5,098,637</u>
Cash and cash equivalents, end of year	<u>\$ 16,346,779</u>	<u>\$ 6,956,746</u>

The accompanying notes are an integral part of these consolidated statements.

LIONS CLUBS INTERNATIONAL FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 - ORGANIZATION AND RELATED-PARTY DATA

The Lions Clubs International Foundation (the Foundation) was incorporated in the state of Illinois on June 13, 1968. The purpose of the Foundation is to support the efforts of Lions Clubs and partners in serving communities locally and globally, giving hope and impacting lives through humanitarian service and grants. The Foundation is administered by a Board of Trustees consisting of 22 voting members, which includes seven (five voting and two non-voting) members from the Board of Directors of The International Association of Lions Clubs (the Association), an affiliated not-for-profit corporation.

The Association and the Foundation administer transactions on behalf of each other. The balances resulting from these transactions are settled periodically. As of June 30, 2021 and 2020, the Foundation had a receivable of \$5,880,774 and a receivable of \$4,708,926, respectively, for such transactions. In addition, the Association allocates costs to the Foundation for operating and maintaining facilities, general administration and general expenses, such as salaries and expenses of employees. These allocations are reviewed periodically for reasonableness. The Association charged the Foundation \$3,539,959 and \$3,650,893 in fiscal years 2021 and 2020, respectively, for such costs and services.

The consolidated financial statements include the Foundation and its related organization, Lions Clubs International Foundation India. As used herein, the "Foundation" includes all organizations. All inter-organizational balances have been eliminated in the consolidated financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial consolidated statements and accompanying notes. Actual results could differ from those estimates.

Net Assets: Net assets, revenues, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition: Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Realized and unrealized gains and losses on investments are reported as increases or decreases in net assets without donor restrictions in the statements of activities unless their use is restricted by explicit donor stipulations or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets in the statement of activities as net assets released from restrictions.

(Continued)

LIONS CLUBS INTERNATIONAL FOUNDATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions: All unconditional contributions are considered to be available for the general programs of the Foundation unless specifically restricted by the donor. Conditional gifts, with a barrier and right of return, are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor. Unconditional contributions are recorded at fair value at the date of the donation.

Donor-restricted Gifts: Contributions, including unconditional promises to give cash and other assets, are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Donor-restricted gifts and restricted investment return are reported as restricted even if the restrictions expire during the fiscal year in which the gift was received and are then reclassified to without donor restrictions.

Promises to Give: The Foundation records unconditional promises to give at the present value of estimated cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. An allowance for uncollectable promises to give is based on historical experience and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2021 and 2020, the allowance was \$3,160,000 and \$1,162,146, respectively.

Program Revenue: Program revenue consists of the sales of curricula, products, training and services associated with the Foundation's Lions Quest program. This program's curricula teach positive life skills to children in grades kindergarten through 12th grade, such as character development, social and emotional learning, civic values, violence and substance abuse prevention, and service learning.

Revenue from the sales of such program materials is recognized upon shipment, representing the point in time control, title, and risks of ownership of the merchandise transfers to the customer. Returns are netted against revenue. Amounts received in advance of shipment of program materials are recorded as deferred revenue.

Lions Quest revenue is reported net of the cost of sales for the goods and services provided. Cost of goods sold associated with the program-related revenue are as follows:

	<u>2021</u>	<u>2020</u>
Program revenue	\$ 357,773	\$ 997,007
Cost of sales	<u>(279,397)</u>	<u>(399,366)</u>
Program revenue, net	<u>\$ 78,376</u>	<u>\$ 597,641</u>

Receivables: Accounts receivable represents merchandise and workshop sales for the Lions Quest program, net of allowance for doubtful accounts. The carrying value of accounts receivable approximates fair value. The allowance for doubtful accounts represents the Foundation's best estimate of probable losses in the receivable balance as determined from a review of past due balances and other specific account data. Accounts that are outstanding longer than 90 days are considered past due. All accounts over 90 days old are reviewed regularly and any accounts considered uncollectible are written off. The allowance for doubtful accounts balance was approximately \$69,900 and \$76,400 as of June 30, 2021 and 2020, respectively.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants: The Foundation records grant expense as an unconditional promise to give upon approval of the grant. Conditional grants, with a barrier and right of return, are not recognized until the conditions on which they depend are substantially met. Upon completion of a grant project, the Foundation recognizes any remaining liability as an adjustment of current year grants expense in the consolidated statements of activities.

Multi-year Grants: Periodically, the Foundation enters multi-year grant commitments. All unconditional grants are recorded as grants payable based on the expected commitment in the year in which they are approved and no conditions exist.

Cash and Cash Equivalents: Cash and cash equivalents consist of demand deposits with banks, short-term investments and other securities with original maturities not in excess of three months when purchased. Due to its short-term nature, the carrying value of cash and cash equivalents approximates fair value. The Foundation maintains foreign and domestic cash accounts, the majority of which exceed the Federal Deposit Insurance Corporation's insured limitations. The Foundation believes it is not exposed to significant credit risk on cash and cash equivalents.

Property and Equipment: Property and equipment are recorded at cost. The Foundation capitalizes all expenditures for property and equipment in excess of \$3,000. Depreciation of property and equipment are determined using the straight-line method over the estimated useful lives of the related assets ranging between three and ten years.

Investments: Investments consist of cash held for investment purposes, money market funds, mutual funds, equity securities, corporate bonds, U.S. government securities, mortgage-backed securities, commingled trust funds, hedge funds, real estate, and private equity funds. Investments are reported at fair value. Fair value is based on quoted market prices when available. For investments in limited partnerships and other similar investments ("alternative investments"), the fair value is based on valuations provided by external investment managers, which are reviewed by management for reasonableness. The Foundation believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and may differ from the value that would have been used had a ready market for such investments existed. Gains and losses on investment assets are included in the consolidated statement of activities.

Fair Value of Financial Instruments: The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Quoted prices for identical instruments in active markets, which includes listed money market funds, mutual funds and equity securities. The Foundation does not adjust the quoted price for such instruments, even in situations where the Foundation holds a large position and a sale could reasonably impact the quoted price.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in inactive markets; or derived from inputs that are observable.

Level 3 - Significant unobservable inputs that reflect assumptions that market participants would use in pricing an asset or liability.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. Investments using Net Asset Value (NAV) per share (or its equivalent) as a fair value expedient have not been classified in the fair value hierarchy. These investments are presented as “NAV” in the following tables to permit reconciliation of the fair value hierarchy table to the total investments at fair value presented in the Consolidated Statement of Financial Position.

The levels for financial instruments are evaluated on an annual basis and transfers between levels are recognized as of the end of each fiscal year.

Operations: The Foundation’s operating revenue in excess of (less than) operating expenses include all revenue and expenses that are an integral part of its programs and supporting activities and net assets released from donor restrictions to support operating expenditures. Net investment return included in operating revenue and gains has a goal to generate total return sufficient to cover the costs of SightFirst, administrative and development expenses; the remaining investment return is included in non-operating revenue and gains.

Functional Allocation of Expenses: The costs of program and supporting service activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Most expenses are directly charged to the department/function incurring the expense. The expenses that are allocated include allocation of headquarters costs which are allocated based on number of staff in each department as well as estimates of time and effort. Advertising and promotional costs and the salaries of certain individuals in the Foundation are based on estimates of time and effort.

Income Taxes: The Foundation has received a favorable determination letter from the Internal Revenue Service, stating that it is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC) of 1986, as amended, except for income taxes pertaining to unrelated business income. The Financial Accounting Standards Board (“FASB”) issued guidance that requires tax effects from uncertain tax positions to be recognized in the consolidated financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority.

Management has determined that there are no material uncertain positions that require recognition in the consolidated financial statements. Additionally, there is no interest or penalties recognized in the consolidated financial statements.

Reclassifications: Certain amounts in the prior year consolidated financial statements have been reclassified to conform to the current year presentation. Such reclassifications did not have an effect on net assets or change in net assets.

Recent Accounting Guidance: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. This ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. This ASU will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Foundation adopted this ASU on July 1, 2020.

(Continued)

LIONS CLUBS INTERNATIONAL FOUNDATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Some of the Foundation's revenues come from other sources, including contributions and investment income which are outside the scope of ASC 606. The Foundation's services that fall within the scope of ASC 606 are recognized as revenue as the Foundation satisfies its obligation to the customer. Services within the scope of ASC 606 include the sale of Lions Quest program materials.

The Foundation adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of July 1, 2020. Results for reporting periods beginning after July 1, 2020 are presented under ASC 606 while prior period amounts continue to be reported in accordance with legacy GAAP. The adoption of ASC 606 did not result in a change to the accounting for any of the in-scope revenue streams; as such, no cumulative effect adjustment was recorded. There were no significant changes to the statement of activities presentation or changes in timing of when revenue is being recognized under the new standard.

Coronavirus Implications: A novel strain of coronavirus has spread around the world, with resulting business and social disruption during fiscal year 2020. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

NOTE 3 - LIQUIDITY AND AVAILABILITY

As of June 30, 2021 and 2020, financial assets available within one year of the consolidated statements of financial position date for general expenditure were as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 16,346,779	\$ 6,956,746
Accrued investment and dividend income	312,622	320,691
Accounts receivable	77,246	51,057
Due from the International Association of Lions Clubs	5,880,774	4,708,926
Promises to give, net	8,437,536	10,344,275
Investments	<u>308,878,121</u>	<u>258,415,001</u>
	339,933,078	280,796,696
Less amounts committed for grants payable within one year	<u>(16,275,278)</u>	<u>(14,821,220)</u>
Total financial assets available	<u>\$ 323,657,800</u>	<u>\$ 265,975,476</u>

The Foundation regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

A portion of the Foundation's portfolio is invested in private equity funds where long-term lock-up provisions are in effect. Additional amounts are set aside in a permanent endowment per donor restrictions and to meet contractual obligations under charitable gift annuity agreements. These investments in the amount of approximately \$15,800,000 and \$9,400,000 as of June 30, 2021 and 2020, respectively, have been excluded from the schedule above.

(Continued)

LIONS CLUBS INTERNATIONAL FOUNDATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2021 and 2020

NOTE 3 - LIQUIDITY AND AVAILABILITY (Continued)

Additionally, as described below, the Foundation has a separate portfolio that is designated for SightFirst grant projects and program expenses. The schedule above only includes the portion of this portfolio that is expected to be used for SightFirst grants and program expenses within one year and did not include approximately \$22,200,000 and \$26,800,000 as of June 30, 2021 and 2020, respectively, that are expected to be used beyond one year.

Donations received and designated as Campaign SightFirst II were invested in a separate portfolio. During this campaign, the Foundation had a policy requiring all income derived from the investment of campaign donations to be designated for SightFirst program expenses and are considered Board Designated unrestricted funds. As of June 30, 2021 and 2020, the SightFirst II portfolio has accumulated investment income of \$6,856,995 and \$5,912,100, respectively. Accumulated net investment income used for SightFirst program expenses for the years ending June 30, 2021 and 2020 were \$1,227,262 and \$928,708, respectively.

The portion of grants payable of which the Foundation expects to distribute within one year is shown as a reduction of financial assets available in the schedule above.

Promises to give include the portion of the receivables that are expected to be received within one year and did not include approximately \$880,000 and \$2,800,000 of promises to give that are expected to be received beyond one year as of June 30, 2021 and 2020, respectively.

The investment amount listed above represents assets, which could be converted to cash on a short-term basis and thus are available to support cash flow needs and operations. However, the Foundation has adopted a policy of funding administrative expenses from the total return from its investments over the long-term, and in practice also seeks to fund development expenses from these returns. This policy requires the Foundation to maintain investment portfolios that generate sufficient returns to fund these expenses. Accordingly, the Foundation has no immediate plans to liquidate investments beyond what is needed for current operations, which includes grants approved within one year based on the respective spending policy and the operating budget approved by the Board of Trustees.

NOTE 4 - PROMISES TO GIVE

Unconditional promises to give are estimated to be collected as follows at June 30:

	<u>2021</u>	<u>2020</u>
Within one year	\$ 11,310,506	\$ 11,317,013
In one to five years	1,242,495	3,206,482
Over five years	-	-
	<u>12,553,001</u>	<u>14,523,495</u>
Less allowance for uncollectable promises to give	(3,160,000)	(1,162,146)
Less discount to net present value at a rate of 2.68%	(39,425)	(104,902)
Less discount to net present value at a rate of 1.74%	(28,363)	(78,366)
Less discount to net present value at a rate of 0.24%	(2,616)	(6,363)
Less discount to net present value at a rate of 0.67%	<u>(6,295)</u>	<u>-</u>
Total promises to give, net	<u>\$ 9,316,302</u>	<u>\$ 13,171,718</u>

At June 30, 2021, three donors accounted for 28% of total promises to give.

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LIONS CLUBS INTERNATIONAL FOUNDATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2021 and 2020

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction include gifts of cash and other assets for which donor-imposed restrictions have not yet been met. Also included in this category is a gift that requires, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Campaign SightFirst II	\$ 14,117,976	\$ 18,616,690
General Disaster Relief	7,407,317	6,053,962
Measles Initiative	2,603,704	3,262,687
Other designated	7,154,501	6,918,331
Promises to give, net balance	<u>9,316,302</u>	<u>13,171,718</u>
	<u>40,599,800</u>	<u>48,023,388</u>
Endowments		
Restricted by donors for benefit of the blind	515,875	515,875
Restricted by donors to support sight-related activities in Louisiana	<u>500,000</u>	<u>500,000</u>
Total net assets with donor restriction	<u>\$ 41,615,675</u>	<u>\$ 49,039,263</u>

NOTE 6 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Campaign SightFirst II	\$ 4,417,714	\$ 7,059,031
General Disaster Relief	4,516,706	5,878,311
Measles	793,849	65,757
Century of Service Commemorative Coin	-	855,540
Payments on pledges	3,614,503	4,829,895
Other designated	<u>3,494,024</u>	<u>2,097,607</u>
Total	<u>\$ 16,836,796</u>	<u>\$ 20,786,141</u>

(Continued)

LIONS CLUBS INTERNATIONAL FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 7 - GRANTS

Grant expense for the years ended June 30, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
SightFirst, net of grant adjustments of \$1,491,690 and \$410,425, respectively	\$ 4,347,972	\$ 8,137,378
Disaster, net of grant adjustments of \$183,588 and \$442,248, respectively	4,668,104	7,397,102
Community Impact, net of grant adjustments of \$105,715 and \$45,338, respectively	2,682,620	2,172,827
Other grants, net of grant adjustments of \$1,643,082 and \$1,370,250, respectively	<u>18,317,358</u>	<u>15,352,909</u>
Total grants approved	<u>\$ 30,016,054</u>	<u>\$ 33,060,216</u>

The other category includes grants for global causes, designated funds and matching grants.

Unconditional grants payable of approximately \$16.3 million at June 30, 2021, are contractually obligated to be paid as early as fiscal year 2022.

Conditional grants payable at June 30, 2021 totaled approximately \$6.3 million.

(Continued)

LIONS CLUBS INTERNATIONAL FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 8 - INVESTMENTS AND FAIR VALUE

The following table summarizes the fair value measurements of investments as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,478,795	\$ -	\$ -	\$ -	\$ 3,478,795
Equity investments/ securities	190,603,565	-	-	-	190,603,565
Fixed income investments/securities	44,514,896	59,312,429	-	-	103,827,325
Hedge funds	70,281	-	-	34,715,284	34,785,565
Private equity funds	-	-	-	6,112,231	6,112,231
Real estate	<u>31,530</u>	<u>-</u>	<u>-</u>	<u>8,030,790</u>	<u>8,062,320</u>
 Total	 <u>\$ 238,699,067</u>	 <u>\$ 59,312,429</u>	 <u>\$ -</u>	 <u>\$ 48,858,305</u>	 <u>\$ 346,869,801</u>

The following table summarizes the fair value measurements of investments as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Cash and cash equivalents	\$ 4,119,290	\$ -	\$ -	\$ -	\$ 4,119,290
Equity investments/ securities	145,792,612	-	-	-	145,792,612
Fixed income investments/securities	44,163,460	64,679,328	-	-	108,842,788
Hedge funds	63,559	-	-	27,729,385	27,792,944
Private equity funds	-	-	-	3,842,146	3,842,146
Real estate	<u>14,574</u>	<u>-</u>	<u>-</u>	<u>4,141,649</u>	<u>4,156,223</u>
 Total	 <u>\$ 194,153,495</u>	 <u>\$ 64,679,328</u>	 <u>\$ -</u>	 <u>\$ 35,713,180</u>	 <u>\$ 294,546,003</u>

Management believes the investment portfolio is diversified to minimize the concentration of risk of any single security, class of security, or asset class.

(Continued)

LIONS CLUBS INTERNATIONAL FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 8 - INVESTMENTS AND FAIR VALUE (Continued)

Inputs and Valuation techniques:

Level 1 financial instruments consist primarily of common stocks, mutual funds, and other securities whose fair values are determined by obtaining quoted prices on nationally recognized security exchanges. The mutual funds have a daily redemption frequency with no redemption notice required.

Level 2 financial instruments consist of corporate, government and mortgage-backed bonds. The bonds have been measured at fair value which is estimated using quoted market prices of similar securities with similar due dates.

Investments recorded at NAV consist of the following.

Hedge funds: Hedge funds consist of a globally diversified, multi-strategy, fund of hedge funds. The NAV of the fund is calculated by the investment manager of the fund and has quarterly liquidity with a 70-day notice.

Private equity and real estate funds: Private equity and real estate funds consist of limited partnerships. These funds generally cannot be redeemed and are subject to the terms of the individual funds. The funds typically have lives of up to 10 years, and distributions are at the discretion of the general partners and are usually only after the realization of investments within the fund. At June 30, 2021 and 2020, the Foundation had unfunded commitments of approximately \$13,222,000 and \$1,126,000, respectively, related to these limited partnership investments. These amounts are not reflected in the consolidated financial statements as a liability.

Total investment return is summarized as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Dividends and interest	\$ 5,990,227	\$ 6,293,994
Net realized and unrealized gain	57,064,370	6,317,147
Management fees	<u>(611,660)</u>	<u>(539,121)</u>
Total investment return	<u>\$ 62,442,937</u>	<u>\$ 12,072,020</u>

All net realized and unrealized gains (losses) in the table above are reflected in investment return in the accompanying consolidated statements of activities. Net unrealized gains (losses) relate to those investments held by the Foundation at year-end.

(Continued)

LIONS CLUBS INTERNATIONAL FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 9 - PROPERTY AND EQUIPMENT

Property and equipment were comprised of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 5,317,054	\$ 5,317,054
Less accumulated depreciation	<u>(4,897,597)</u>	<u>(4,741,889)</u>
Total	<u>\$ 419,457</u>	<u>\$ 575,165</u>

NOTE 10 - SUBSEQUENT EVENTS

The Foundation evaluated its June 30, 2021, consolidated financial statements for subsequent events through November 10, 2021, the date the consolidated financial statements were available to be issued, and is not aware of any subsequent events that would require recognition or disclosure in the consolidated financial statements