

LIONS CLUBS INTERNATIONAL FOUNDATION

FINANCIAL STATEMENTS

June 30, 2018 and 2017

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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 financial statements of Lions Clubs International Foundation (the "Foundation"), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities 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 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Lions Clubs International Foundation as of June 30, 2018 and 2017, 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 2016-14 - *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

Crowe LLP

Crowe LLP

Chicago, Illinois
October 13, 2018

LIONS CLUBS INTERNATIONAL FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 15,158,714	\$ 10,411,691
Accrued investment income receivable	318,953	285,292
Accounts receivable, net	109,494	73,960
Due from non-United States Lions Clubs districts	487,342	447,692
Due from the International Association of Lions Clubs	-	721,519
Prepaid expenses	1,204,968	1,081,953
Promises to give, net	6,740,198	-
Investments	288,613,667	300,418,834
Property and equipment, net	459,990	348,798
Other assets	50,025	-
	<u>\$ 313,143,351</u>	<u>\$ 313,789,739</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 186,799	\$ 330,838
Accrued expenses	324,642	308,280
Due to the International Association of Lions Clubs	1,558,802	-
Grants payable	27,441,104	33,433,602
Charitable gift annuities	157,911	165,130
Total liabilities	29,669,258	34,237,850
Net assets		
Without donor restrictions	224,787,866	216,800,176
With donor restrictions	58,686,227	62,751,713
Total net assets	283,474,093	279,551,889
	<u>\$ 313,143,351</u>	<u>\$ 313,789,739</u>

The accompanying notes are an integral part of these statements.

LIONS CLUBS INTERNATIONAL FOUNDATION
STATEMENT OF ACTIVITIES
Year ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating			
Revenue and gains			
Contributions	\$ 23,602,378	\$ 24,476,178	\$ 48,078,556
Program revenue, net	330,611	-	330,611
Investment return, net	14,004,932	33,130	14,038,062
Net assets released from restrictions			
Satisfaction of purpose restrictions	28,596,980	(28,596,980)	-
Total operating revenue and gains	<u>66,534,901</u>	<u>(4,087,672)</u>	<u>62,447,229</u>
Expenses and losses			
Program services			
Grants	44,519,791	-	44,519,791
SightFirst	2,563,068	-	2,563,068
Lions Quest	2,235,606	-	2,235,606
Other	1,705,633	-	1,705,633
Total program services	<u>51,024,098</u>	<u>-</u>	<u>51,024,098</u>
Administrative	4,595,906	-	4,595,906
Development	6,775,958	-	6,775,958
Total operating expenses	<u>62,395,962</u>	<u>-</u>	<u>62,395,962</u>
Operating revenue and gains in excess of (less than) operating expenses	<u>4,138,939</u>	<u>(4,087,672)</u>	<u>51,267</u>
Non-Operating			
Revenue and gains			
Investment return, net	4,112,344	22,186	4,134,530
Net loss on currency exchange	(276,110)	-	(276,110)
Change in value of charitable gift annuities	(21,050)	-	(21,050)
Other income	33,567	-	33,567
Total non-operating revenue and gains	<u>3,848,751</u>	<u>22,186</u>	<u>3,870,937</u>
Changes in net assets	7,987,690	(4,065,486)	3,922,204
Net assets, beginning of year	<u>216,800,176</u>	<u>62,751,713</u>	<u>279,551,889</u>
Net assets, end of year	<u>\$ 224,787,866</u>	<u>\$ 58,686,227</u>	<u>\$ 283,474,093</u>

The accompanying notes are an integral part of these statements.

LIONS CLUBS INTERNATIONAL FOUNDATION
STATEMENT OF ACTIVITIES
Year ended June 30, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating			
Revenue and gains			
Contributions	\$ 26,184,115	\$ 12,893,184	\$ 39,077,299
Program revenue, net	357,155	-	357,155
Investment return, net	11,799,867	-	11,799,867
Net assets released from restrictions			
Satisfaction of purpose restrictions	24,058,449	(24,058,449)	-
Total operating revenue and gains	<u>62,399,586</u>	<u>(11,165,265)</u>	<u>51,234,321</u>
Expenses and losses			
Program services			
Grants	38,631,904	-	38,631,904
SightFirst	2,441,416	-	2,441,416
Lions Quest	2,094,485	-	2,094,485
Other	1,571,040	-	1,571,040
Total program services	<u>44,738,845</u>	<u>-</u>	<u>44,738,845</u>
Administrative	4,189,229	-	4,189,229
Development	5,169,222	-	5,169,222
Total operating expenses	<u>54,097,296</u>	<u>-</u>	<u>54,097,296</u>
Operating revenue and gains in excess of (less than) operating expenses	<u>8,302,290</u>	<u>(11,165,265)</u>	<u>(2,862,975)</u>
Non-Operating			
Revenue and gains			
Investment return, net	12,649,050	58,740	12,707,790
Net gain on currency exchange	98,442	-	98,442
Change in value of charitable gift annuities	(16,923)	-	(16,923)
Other income	58,622	-	58,622
Total non-operating revenue and gains	<u>12,789,191</u>	<u>58,740</u>	<u>12,847,931</u>
Changes in net assets	21,091,481	(11,106,525)	9,984,956
Net assets, beginning of year	<u>195,708,695</u>	<u>73,858,238</u>	<u>269,566,933</u>
Net assets, end of year	<u>\$ 216,800,176</u>	<u>\$ 62,751,713</u>	<u>\$ 279,551,889</u>

The accompanying notes are an integral part of these statements.

LIONS CLUBS INTERNATIONAL FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2018

	Program Services				Administrative	Development	Total
	<u>SightFirst</u>	<u>Lions Quest</u>	<u>Other Programs</u>	<u>Total Program</u>			
Grants	\$ 9,591,780	\$ 2,278,492	\$ 32,649,519	\$ 44,519,791	\$ -	\$ -	\$ 44,519,791
Salaries and related costs	737,122	726,454	900,211	2,363,787	1,682,203	1,060,328	5,106,318
Allocation of headquarters costs	260,583	285,207	334,455	880,245	1,582,772	359,080	2,822,097
Donor recognition	-	-	-	-	-	2,686,362	2,686,362
Travel	294,892	407,671	232,679	935,242	838,651	936,663	2,710,556
Professional services	1,002,980	295,316	78,191	1,376,487	278,514	1,221,439	2,876,440
Convention, trainings and meetings	18,159	25,515	22,061	65,735	-	125,813	191,548
Program development	-	226,596	-	226,596	-	-	226,596
Auxiliary staff expenses	-	-	-	-	-	153,805	153,805
Advertising and promotion	49,865	95,631	53,540	199,036	-	85,454	284,490
Translation expense	-	35,738	12,488	48,226	6,060	54,939	109,225
Office expense	13,969	25,639	17,744	57,352	54,194	74,435	185,981
Sponsorship fees	120,646	-	-	120,646	-	-	120,646
Credit card fees	-	1,598	-	1,598	91,957	-	93,555
Fulfillment warehouse	-	89,378	-	89,378	-	-	89,378
Depreciation	48,595	-	48,595	97,190	-	535	97,725
Equipment	6,311	6,364	2,525	15,200	56,632	14,565	86,397
Other	9,946	14,499	3,144	27,589	4,923	2,540	35,052
	<u>\$ 12,154,848</u>	<u>\$ 4,514,098</u>	<u>\$ 34,355,152</u>	<u>\$ 51,024,098</u>	<u>\$ 4,595,906</u>	<u>\$ 6,775,958</u>	<u>\$ 62,395,962</u>

The accompanying notes are an integral part of these statements.

LIONS CLUBS INTERNATIONAL FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2017

	Program Services				Administrative	Development	Total
	<u>SightFirst</u>	<u>Lions Quest</u>	<u>Other Programs</u>	<u>Total Program</u>			
Grants	\$ 11,205,329	\$ 1,746,424	\$ 25,680,151	\$ 38,631,904	\$ -	\$ -	\$ 38,631,904
Salaries and related costs	635,373	667,051	898,687	2,201,111	1,603,579	1,130,290	4,934,980
Allocation of headquarters costs	269,000	269,000	344,306	882,306	1,433,417	344,306	2,660,029
Donor recognition	-	-	-	-	-	2,633,474	2,633,474
Travel	350,113	385,146	191,465	926,724	810,764	531,818	2,269,306
Professional services	955,572	272,865	26,685	1,255,122	95,840	217,180	1,568,142
Convention, trainings and meetings	12,397	17,274	11,483	41,154	-	74,417	115,571
Program development	-	273,958	-	273,958	-	-	273,958
Auxiliary staff expenses	-	-	-	-	-	130,000	130,000
Advertising and promotion	22,451	71,174	21,287	114,912	-	19,337	134,249
Translation expense	846	43,722	5,223	49,791	2,600	33,280	85,671
Office expense	5,796	39	21,247	27,082	35,990	46,585	109,657
Sponsorship fees	112,448	-	-	112,448	-	-	112,448
Credit card fees	-	1,430	-	1,430	78,342	-	79,772
Fulfillment warehouse	-	73,236	-	73,236	-	-	73,236
Depreciation	48,595	-	48,632	97,227	264	4,512	102,003
Equipment	15,348	19,502	1,774	36,624	124,983	3,511	165,118
Other	13,477	88	251	13,816	3,450	512	17,778
	<u>\$ 13,646,745</u>	<u>\$ 3,840,909</u>	<u>\$ 27,251,191</u>	<u>\$ 44,738,845</u>	<u>\$ 4,189,229</u>	<u>\$ 5,169,222</u>	<u>\$ 54,097,296</u>

The accompanying notes are an integral part of these statements.

LIONS CLUBS INTERNATIONAL FOUNDATION
STATEMENTS OF CASH FLOWS
Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 3,922,204	\$ 9,984,956
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	97,725	102,003
Net realized and unrealized (gains) losses on investments	(15,697,068)	(21,308,496)
Changes in operating assets and liabilities		
Accrued investment income receivable	(33,661)	42,227
Accounts receivable	(35,534)	(4)
Due from non-United States Lions Clubs districts	(39,650)	(6,760)
Due from The International Association of Lions Clubs	721,519	504,682
Prepaid expenses	(123,015)	(125,389)
Promises to give, net	(6,740,198)	
Other assets	(50,025)	-
Accounts payable and accrued expenses	(127,677)	279,932
Due to The International Association of Lions Clubs	1,558,802	
Grants payable	(5,992,498)	(1,051,542)
Charitable gift annuities	(7,219)	(10,900)
Net cash used in operating activities	<u>(22,546,295)</u>	<u>(11,589,291)</u>
Cash flows from investing activities		
Purchases of investments	(58,173,828)	(115,904,484)
Proceeds from sale of investments	85,676,063	127,626,330
Purchases of property and equipment	(208,917)	-
Net cash provided by investing activities	<u>27,293,318</u>	<u>11,721,846</u>
Change in cash and cash equivalents	4,747,023	132,555
Cash and cash equivalents, beginning of year	<u>10,411,691</u>	<u>10,279,136</u>
Cash and cash equivalents, end of year	<u>\$ 15,158,714</u>	<u>\$ 10,411,691</u>

The accompanying notes are an integral part of these statements.

LIONS CLUBS INTERNATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 1 - ORGANIZATION AND RELATED-PARTY DATA

The Lions Clubs International Foundation (the Foundation) was incorporated in the state of Illinois on June 12, 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, 2018 and 2017, the Foundation had a payable of \$1,558,802 and a receivable of \$721,519, 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 \$2,822,097 and \$2,660,029 in fiscal years 2018 and 2017, respectively, for such costs and services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates: The preparation of 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 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 report 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.

Contributions: All contributions are considered to be available for the general programs of the Foundation unless specifically restricted by the donor. Contributions are recorded at fair value at the date of the donation.

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 teaches 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. Lions Quest revenue is net of the cost of sales for the goods and services provided. Program revenue also includes the sales of hearing aids associated with the Foundation's Affordable Hearing Aid Program, net of the cost of goods sold. The Affordable Hearing Aid Program was discontinued on December 31, 2017.

(Continued)

LIONS CLUBS INTERNATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

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. Upon completion of a grant project, the Foundation recognizes any remaining liability as an adjustment of current year grants expense in the statements of activities.

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.

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 \$16,500 and \$11,400 as of June 30, 2018 and 2017, respectively.

Promises to Give: The Foundation records unconditional promises to give at the present value of estimated cash flows. The discount 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 are based on historical experience and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2018 and 2017, the allowance was \$1,267,645 and \$0, respectively.

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 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.

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 and amortization of property and equipment are determined using the straight-line method over the estimated useful lives of the related assets ranging between three and seven years.

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

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 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.

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 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.

(Continued)

LIONS CLUBS INTERNATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses: The costs of program and supporting service activities have been summarized on a functional basis in the statements of activities. The 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 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 financial statements. Additionally, no provision for income taxes is reflected in these financial statements, as the Foundation's unrelated business taxable income is expected to be offset by net operating losses carried forward from prior years. There is no interest or penalties recognized in the financial statements.

Adoption of New Accounting Standard: In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, which revises the not-for profit financial reporting model. ASU 2016-14 provides for additional disclosure requirements and modifies net asset reporting. The standard requires the Foundation to reclassify its net assets (i.e., unrestricted, temporarily restricted, and permanently restricted) into two categories; net assets without donor-imposed restrictions and net assets with donor-imposed restrictions, among other requirements. The Foundation adopted ASU 2016-14 for its fiscal year ending June 30, 2018 and has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, except for the liquidity disclosure, as permitted. The implementation of this ASU did not have a material effect on amounts previously presented.

Recent Accounting Guidance: In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers: Topic 606*. 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 amendments in this ASU are effective retrospectively for fiscal years beginning after December 15, 2018. The Foundation has not yet implemented this ASU and is in the process of assessing the effect on the Foundation's financial statements.

Reclassifications: Certain amounts in the prior year 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.

(Continued)

LIONS CLUBS INTERNATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 3 – LIQUIDITY AND AVAILABILITY

As of June 30, 2018, financial assets available within one year of the balance sheet date for general expenditure were as follows:

	<u>2018</u>
Cash and cash equivalents	\$ 15,158,714
Accrued investment and dividend income	318,953
Accounts receivable	109,494
Promises to give, net	2,973,494
Investments	<u>238,918,615</u>
	257,479,270
Less amounts committed for grants payable within one year	<u>(26,658,184)</u>
 Total financial assets available	 <u>\$ 230,821,086</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 \$9,150,000 have been excluded from the schedule above.

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 \$40,545,000 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, 2018 and 2017, the SightFirst II portfolio has accumulated investment income of \$5,225,576 and \$5,483,397, respectively. Accumulated net investment income used for SightFirst program expenses for the years ending June 30, 2018 and 2017 were \$2,193,275 and \$2,096,510, 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 \$3,767,000 of promises to give that are expected to be received beyond one year.

(Continued)

LIONS CLUBS INTERNATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 3 – LIQUIDITY AND AVAILABILITY (Continued)

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Within one year	\$ 3,588,996	\$ -
In one to five years	4,861,977	-
Over five years	-	-
	<u>8,450,973</u>	<u>-</u>
Less allowance for uncollectable promises to give	(1,267,645)	-
Less discount to net present value at a rate of 2.68%	<u>(443,130)</u>	<u>-</u>
Total promises to give, net	<u>\$ 6,740,198</u>	<u>\$ -</u>

At June 30, 2018, one donor accounted for 28% of total promises to give.

(Continued)

LIONS CLUBS INTERNATIONAL FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018 and 2017

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>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Campaign SightFirst II	\$ 37,363,059	\$ 46,947,214
General Disaster Relief	4,396,168	7,233,336
Measles Initiative	2,835,592	2,550,893
Oswal Trust Partnership	998,379	834,190
Sight Programs	1,848,380	689,020
Ebola Aid	542,139	542,139
Haiti Earthquake	148,094	477,290
Other designated	3,314,218	2,977,631
Promises to give, the proceeds from which have been restricted by donors for Campaign 100	<u>6,740,198</u>	<u>-</u>
	<u>58,186,227</u>	<u>62,251,713</u>
 Endowments		
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><u>\$ 58,686,227</u></u>	<u><u>\$ 62,751,713</u></u>

(Continued)

LIONS CLUBS INTERNATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

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>2018</u>	<u>2017</u>
Campaign SightFirst II	\$ 9,591,780	\$ 11,205,329
General Disaster Relief	9,155,037	5,738,887
Measles Initiative	6,397,556	3,171,032
Sight Programs	1,217,236	2,790,559
Youth Programs	454,070	756,771
Other designated	<u>1,781,301</u>	<u>395,871</u>
 Total	 <u>\$ 28,596,980</u>	 <u>\$ 24,058,449</u>

NOTE 7 - GRANTS

Grant expense for the years ended June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
SightFirst, net of grant adjustments of \$408,220 and \$1,938,060, respectively	\$ 9,591,780	\$ 11,205,329
Standard, net of grant adjustments of \$272,875 and \$331,962, respectively	9,399,291	7,881,474
Core 4, net of grant adjustments of \$457,506 and \$1,568,584, respectively	6,124,209	6,240,474
International assistance, net of grant adjustments of \$0 and \$1,350, respectively	52,725	303,662
Designated, net of grant adjustments of \$518,577 and \$792,026, respectively	19,005,200	12,854,086
Other grants, net of grant adjustments of \$0 and \$113,121, respectively	<u>346,586</u>	<u>146,879</u>
 Total grants approved	 <u>\$ 44,519,791</u>	 <u>\$ 38,631,904</u>

Grants payable of approximately \$26 million at June 30, 2018 are contractually obligated to be paid as early as fiscal year 2019.

(Continued)

LIONS CLUBS INTERNATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 8 – INVESTMENTS AND FAIR VALUE

The following table summarizes the fair value measurements of investments as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Cash and cash equivalents	\$ 617,214	\$ -	\$ -	\$ -	\$ 617,214
Money market funds	806,963	-	-	-	806,963
Mutual funds	158,988,458	-	-	-	158,988,458
Equity securities	26,635,882	-	-	-	26,635,882
U.S. government securities	-	91,406	-	-	91,406
Mortgage-backed securities	-	7,277	-	-	7,277
Commingled trust funds	-	-	-	78,764,427	78,764,427
Hedge funds	-	-	-	14,472,170	14,472,170
Private equity funds	-	-	-	8,229,870	8,229,870
	<u> </u>				
Total	<u>\$ 187,048,517</u>	<u>\$ 98,683</u>	<u>\$ -</u>	<u>\$ 101,466,467</u>	<u>\$ 288,613,667</u>

The following table summarizes the fair value measurements of investments as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Cash and cash equivalents	\$ 114,875	\$ -	\$ -	\$ -	\$ 114,875
Money market funds	2,894,635	-	-	-	2,894,635
Mutual funds	148,203,525	-	-	-	148,203,525
Equity securities	47,090,109	-	-	-	47,090,109
U.S. government securities	-	94,011	-	-	94,011
Mortgage-backed securities	-	9,729	-	-	9,729
Commingled trust funds	-	-	-	79,840,143	79,840,143
Hedge funds	-	-	-	11,376,110	11,376,110
Private equity funds	-	-	-	10,795,697	10,795,697
	<u> </u>				
Total	<u>\$ 198,303,144</u>	<u>\$ 103,740</u>	<u>\$ -</u>	<u>\$ 102,011,950</u>	<u>\$ 300,418,834</u>

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

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 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.

(Continued)

LIONS CLUBS INTERNATIONAL FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018 and 2017

NOTE 8 – INVESTMENTS AND FAIR VALUE (Continued)

Investments recorded at NAV consist of the following.

Commingled trust funds: Commingled trust funds include investments in real estate, fixed income and equity securities. Commingled real estate funds consist of a global diversified fund of property securities. Real estate funds have a monthly liquidity with a 15-day notice. The fixed income fund invests primarily in a diversified portfolio of intermediate and long-term debt securities. Equities consist of international equities in developed and emerging markets. The NAV of the fixed income and equity commingled funds are calculated by the investment manager of the fund and have daily or semi-monthly liquidity with a one-day notice.

Hedge funds: Hedge funds consist of fund-of-fund structures investing in long/short equity, multi-strategy. The NAV of the fund is calculated by the investment manager of the fund and has monthly liquidity with a 90-day notice.

Private equity funds: Private equity 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, 2018 and 2017, the Foundation had unfunded commitments of approximately \$1,309,000 and \$1,501,000, respectively, related to these limited partnership investments. These amounts are not reflected in the financial statements as a liability.

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

	<u>2018</u>	<u>2017</u>
Dividends and interest	\$ 3,409,684	\$ 4,103,295
Net realized and unrealized gain (loss)	15,697,068	21,308,496
Management fees	<u>(934,160)</u>	<u>(904,134)</u>
Total investment return	<u>\$ 18,172,592</u>	<u>\$ 24,507,657</u>

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

NOTE 9 - PROPERTY AND EQUIPMENT

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

	<u>2018</u>	<u>2017</u>
Equipment	\$ 4,870,821	\$ 4,661,904
Less accumulated depreciation	<u>(4,410,831)</u>	<u>(4,313,106)</u>
Total	<u>\$ 459,990</u>	<u>\$ 348,798</u>

(Continued)

NOTE 10 - SUBSEQUENT EVENTS

The Foundation evaluated its June 30, 2018, financial statements for subsequent events through October 13, 2018, the date the financial statements were available to be issued, and is not aware of any subsequent events that would require recognition or disclosure in the financial statements