

**THE INTERNATIONAL ASSOCIATION
OF LIONS CLUBS**

FINANCIAL STATEMENTS

June 30, 2024 and 2023

THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS

FINANCIAL STATEMENTS

June 30, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The International Association of Lions Clubs
Oak Brook, Illinois

Opinion

We have audited the financial statements of The International Association of Lions Clubs (the "Association"), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of June 30, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year from the date the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Crowe LLP

Crowe LLP

Oak Brook, Illinois
December 3, 2024

THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
STATEMENTS OF FINANCIAL POSITION
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 20,534,885	\$ 25,246,887
Accounts receivable, net	3,242,503	1,139,885
Accrued investment income receivable	288,275	308,687
Inventory, net of reserve	1,286,116	1,290,171
Prepaid expenses and other assets	<u>2,993,701</u>	<u>1,984,673</u>
Total current assets	28,345,480	29,970,303
Investments		
LCI investment/general fund	103,973,580	131,744,635
LCI operating reserve	<u>20,216,730</u>	<u>-</u>
Total investments	124,190,310	131,744,635
Restricted cash	5,692,049	5,176,509
Prepaid pension benefits	764,950	-
Property and equipment		
Land	1,016,300	1,016,300
Building and improvements	19,857,692	19,791,462
Furniture and equipment	43,907,949	38,147,529
Capital assets in progress	<u>1,359,794</u>	<u>3,930,835</u>
Total property and equipment	66,141,735	62,886,126
Less accumulated depreciation	<u>(52,783,247)</u>	<u>(51,465,052)</u>
Property and equipment, net	<u>13,358,488</u>	<u>11,421,074</u>
	<u>\$ 172,351,277</u>	<u>\$ 178,312,521</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 8,035,420	\$ 6,330,971
Accrued expenses	25,430,108	8,647,863
Due to Lions Clubs International Foundation	4,224,543	3,656,230
Self-insurance reserve, current	<u>2,295,250</u>	<u>2,721,451</u>
Total current liabilities	39,985,321	21,356,515
Non-current liabilities		
Self-insurance reserve, non-current	2,547,702	2,304,696
Accrued pension benefits	-	103,522
Other non-current liabilities	<u>121,828</u>	<u>100,272</u>
Total non-current liabilities	<u>2,669,530</u>	<u>2,508,490</u>
Total liabilities	42,654,851	23,865,005
Net assets without donor restrictions	<u>129,696,426</u>	<u>154,447,516</u>
	<u>\$ 172,351,277</u>	<u>\$ 178,312,521</u>

The accompanying notes are an integral part of these statements.

THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
STATEMENTS OF ACTIVITIES
Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Changes in net assets without donor restrictions		
Operating revenue, gains and losses		
Dues and fees		
Dues	\$ 59,171,493	\$ 55,044,363
Entrance fees	5,102,716	4,771,014
Charter fees	1,011,033	881,095
Leo Club levy	786,304	774,990
Less credit loss expense	<u>(1,012,930)</u>	<u>(893,054)</u>
Net dues and fees	65,058,616	60,578,408
Other revenue and gains		
Gross profit on merchandise sales, net of direct costs	1,217,604	1,374,063
Royalties, net	411,330	389,126
Convention registration and related fees	1,928,268	1,858,192
Advertising and miscellaneous magazine revenue	204	318
Contributions	-	8
Other gains	<u>138,723</u>	<u>141,185</u>
Total other revenue and gains	<u>3,696,129</u>	<u>3,762,892</u>
Total operating revenue and gains	68,754,745	64,341,300
Non-operating revenue, gains, and losses		
Investment return, net of expenses	12,348,785	14,073,905
Loss on currency exchange	<u>(1,963,530)</u>	<u>(3,323,698)</u>
Net non-operating revenue and gains	<u>10,385,255</u>	<u>10,750,207</u>
Total revenue and gains	79,140,000	75,091,507
Expenses		
Elected officers' travel and office		
International officers	2,709,681	2,212,374
International directors	649,043	640,844
Past officers and directors	597,545	585,721
Board, committee and other meetings	5,035,776	5,570,428
District governors and district governors-elect	<u>8,756,661</u>	<u>10,312,902</u>
Total elected officers' travel and office	17,748,706	19,322,269

(Continued)

THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
STATEMENTS OF ACTIVITIES
Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Administrative divisions		
Executive administration	\$ 2,441,530	\$ 1,904,786
Treasurer	1,336,689	1,295,951
Facilities maintenance and services	2,073,248	2,003,809
Legal	911,646	826,308
Risk management	4,055,503	4,062,811
Club supplies and fulfillment	2,202,866	2,052,767
Finance	2,210,060	2,223,972
Information technology	7,901,168	7,522,463
District and Club administration	3,980,018	4,014,859
Service activities	1,929,413	2,169,815
Marketing	5,459,612	6,103,740
LION Magazine	2,805,848	2,700,415
Operations at convention	5,539,387	7,987,532
Membership	4,150,648	3,273,322
Non-U.S. operations	1,351,025	1,146,827
Convention	1,148,940	1,707,638
Leadership development	3,632,102	3,933,760
Global Action Team	2,080,243	1,650,444
Member Service Center	1,651,396	1,583,384
Total administrative divisions	<u>56,861,342</u>	<u>58,164,603</u>
 Total Expenses before other charges	 <u>74,610,048</u>	 <u>77,486,872</u>
Other charges		
Miscellaneous expense (GST)	<u>29,649,514</u>	<u>-</u>
 Total expenses	 <u>104,259,562</u>	 <u>77,486,872</u>
 Change in net assets before change in value of pension plan	 (25,119,562)	 (2,395,365)
Change in pension plan valuation	<u>368,472</u>	<u>2,024,494</u>
Change in net assets without donor restrictions	(24,751,090)	(370,871)
Net assets without donor restrictions at beginning of year	<u>154,447,516</u>	<u>154,818,387</u>
Net assets without donor restrictions at end of year	<u>\$ 129,696,426</u>	<u>\$ 154,447,516</u>

The accompanying notes are an integral part of these statements.

THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
STATEMENTS OF CASH FLOWS
Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ (24,751,090)	\$ (370,871)
Adjustments to reconcile change in net assets to net cash used in by operating activities		
Pension and postretirement liability adjustment	(368,472)	(2,024,494)
Depreciation and amortization	1,318,194	1,714,983
Net realized and unrealized gains on investments	(9,539,435)	(11,060,309)
Credit loss expense	1,012,930	893,054
Changes in operating assets and liabilities		
Accounts receivable	(3,115,548)	(1,802,121)
Accrued investment income receivable	20,412	(117,021)
Inventories, prepaid expenses and other assets	(1,004,973)	(696,154)
Due to Lions Clubs International Foundation	568,313	(2,323,361)
Accounts payable and accrued expenses	18,486,694	2,927,592
Self-insurance reserve	(183,195)	(479,861)
Accrued pension benefits	(500,000)	(600,003)
Other non-current liabilities	21,556	9,357
Net cash used in operating activities	<u>(18,034,614)</u>	<u>(13,929,209)</u>
Cash flows from investing activities		
Proceeds from the sale of investments	68,325,803	71,753,111
Purchases of investments	(51,232,043)	(55,625,911)
Purchases of property and equipment	(3,255,608)	(4,121,152)
Net cash provided by investing activities	<u>13,838,152</u>	<u>12,006,048</u>
Change in cash, cash equivalents, and restricted cash	(4,196,462)	(1,923,161)
Cash, cash equivalents, and restricted cash, beginning of year	<u>30,423,396</u>	<u>32,346,557</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 26,226,934</u>	<u>\$ 30,423,396</u>

The accompanying notes are an integral part of these statements.

THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2024 and 2023

NOTE 1 - ORGANIZATION AND RELATED-PARTY DATA

The International Association of Lions Clubs (the Association) was incorporated in the state of Illinois on August 25, 1919. The purpose of the Association is to support charitable causes through the chartering and administration of individual Lions Clubs throughout the world.

The financial statements include the accounts of the administrative organization of the Association. The statements are presented by division, with functional expense included at Note 10. The accounts of individual Lions Clubs operated by local club organizations are excluded due to their independent legal status and activities. The Lions Clubs International Foundation (the Foundation), an affiliated not-for-profit corporation, is administered by a 22-member Board of Trustees, which includes five voting and two non-voting members from the Board of Directors of the Association. The financial statements of the Foundation are not included herein because the Association does not have control over nor an economic interest in the Foundation.

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, 2024 and 2023, the Association had a payable of \$4,224,543 and \$3,656,230, respectively, for such transactions. In addition, the Association allocates costs to the Foundation for the cost of operating and maintaining facilities, general administration and general expenses, such as salaries and expenses of employees. The Association charged the Foundation \$3,967,378 and \$4,313,892 in 2024 and 2023, respectively, for such costs and services. These amounts are reflected in the statements of activities as a reduction of the appropriate expense categories.

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 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. The Association does not have any net assets with donor restrictions.

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THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2024 and 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition:

Exchange Transactions

Membership dues are derived from services the Association provides to its members. The Leo Club levy is charged annually for each Leo Club sponsored by a Lions Club. Entrance fees are charged for new members in existing clubs while charter fees are charged for new members in new clubs. The Association recognizes revenue for membership services and Leo Club levy over the applicable membership period. Membership dues received in advance of services are reported as deferred revenue in the statement of financial position. Entrance and charter fees are recognized at the point in time when new members join an existing or new club, respectively.

Merchandise sales, royalties, advertising, and miscellaneous magazine revenue for other exchange transactions are recognized either at the point in time of delivery that a sale occurs or over time as services are rendered. Gross profit on merchandise sales is presented net of direct costs of \$1,452,000 and \$1,435,600 for the fiscal years ended June 30, 2024 and 2023, respectively.

Convention registration and related fees are recognized in the period to which it the convention is held. Revenue in advance of sales and services are reported as deferred revenue in the statement of financial position.

The Association's receivables represent unconditional rights to consideration from its contracts with its members and customers. Credit terms for customers are generally net 30 days. The Association carries its accounts receivable at cost less a possible allowance for credit losses. Accounts that are outstanding longer than 120 days are considered past due. Accounts considered uncollectible are written off after 180 days. The allowance for credit losses was approximately \$228,600 and \$233,000 as of June 30, 2024 and 2023, respectively. Consideration is given to management's expectations about current and future economic conditions to determine the loss rate. The Association does not charge interest on past due receivables.

The Associations contract liabilities of \$1,453,700 and \$1,319,200 as of June 30, 2024 and 2023, respectively, which are considered deferred revenue, are presented as accrued expenses in the statement of financial position. Deferred revenue in any period represents the excess of membership dues and other exchange transaction revenue received over amounts recognized as revenue on the statement of activities. The Association's membership programs have starting and ending dates that generally coincide with its fiscal year end. Therefore, at year end, deferred revenue represents revenue for future sales and services to be performed during the following fiscal year.

The Association had no costs that were capitalized to obtain or to fulfill a contract with a customer.

Contributions

Private gifts and grants that are not considered exchange transactions, including pledges, are recognized in the period received. 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. Contributions of assets other than cash are recorded at estimated fair value. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible pledges receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity. Verbal pledges are not recognized until the pledge is acknowledged by the donor in writing or when the contribution is physically received.

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THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2024 and 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs: Advertising costs are expensed as incurred.

Allocation of Expenses: Overhead costs, such as executive salaries, accounting and other general and administrative expenses, incurred by various departments are allocated among the programs and supporting services benefited. The allocation is primarily based on salary expense and square footage.

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 Association maintains foreign and domestic cash accounts, the majority of which exceed the Federal Deposit Insurance Corporation's insured limitations. The Association believes it is not exposed to significant credit risk on cash and cash equivalents.

Investments: Investments consist of cash and cash equivalent held for investment purposes, mutual funds, publicly traded hedge funds, fixed income securities, and equity securities. The Association records all investments at fair value. These investments are presented in the statements of financial position and investment returns (including realized and unrealized gains and losses on investments and interest and dividends, net of management fees) are included in the statements 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 Association does not adjust the quoted price for such instruments, even in situations where the Association 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.

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.

Inventories: Inventories, consisting of merchandise for sale to individual Lions Clubs, are stated at the lower of cost (average cost) or market. The inventory reserve is de minimis as of June 30, 2024 and 2023.

(Continued)

THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2024 and 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currency Exchange: The Association operates throughout the globe, and recognizes revenue and incurs expenses in foreign currency and converts it to U.S. dollar using exchange rates as of the date of the transaction. Foreign currency denominated cash deposits are translated into U.S. dollars using the exchange rates in effect at the statement of financial position date. The Association records its foreign currency net gain or net loss as an increase or decrease in net assets without donor restrictions.

Property and Equipment: The Association capitalizes any asset \$3,000 or greater. Property and equipment are recorded at cost. Depreciation of property and equipment is determined by using the straight-line method over the estimated useful lives of the related assets ranging between 3 and 45 years.

Long-lived Asset Impairment: The Association evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No impairments of long-lived assets were recognized for the years ended June 30, 2024 and 2023.

Recently Adopted Accounting Pronouncements: In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments-Credit Losses Topic 326* ("Topic 326"), which requires entities to measure all expected credit losses for financial instruments held at the reporting date. The Association adopted this standard effective July 1, 2023. The new expected loss measurement model, known as the current expected credit loss ("CECL") model, is based on expected losses rather than incurred losses. Topic 326 is applicable to financial assets measured at amortized cost, such as accounts receivable. It requires historical loss data to be adjusted to reflect changes in asset-specific considerations, current conditions, and reasonable and supportable forecasts of future economic conditions. The expected credit losses are adjusted each financial reporting period for changes in expected lifetime credit losses.

The Association adopted Topic 326 using the modified retrospective transition approach, which involves recognizing the cumulative effect of the initial adoption of Topic 326 as an adjustment to its opening retained earnings at July 1, 2023. Therefore, comparative information prior to the adoption date has not been adjusted. As a result of adoption of Topic 326, the Association did not recognize an incremental allowance for credit losses on its accounts receivable for the year ended June 30, 2024. The adoption of this standard did not have a significant impact on the Association's financial statements.

Income Taxes: The Association 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)(4) 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 there are no material uncertain positions that require recognition in the financial statements. Additionally, no provision for United States' income taxes is reflected, and there is no interest or penalties recognized in the statements of activities or statements of financial position. At June 30, 2024, there was approximately \$30 million in back taxes and penalties expensed related to GST tax for services located in India. The amounts were finalized and settled in the current fiscal year.

(Continued)

THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2024 and 2023

NOTE 3 - RESTRICTED CASH

At June 30, 2024 and 2023, \$5,692,049 and \$5,176,509, respectively, of cash was government restricted for use in the countries in which such funds were deposited.

NOTE 4 - LIQUIDITY AND AVAILABILITY

The Associations' financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2024</u>	<u>2023</u>
Cash - Non restricted	\$ 20,534,885	\$ 25,246,887
Investments	124,190,310	131,744,635
Accounts receivable	3,242,503	1,139,885
Accrued investment income	<u>288,275</u>	<u>308,687</u>
	<u>\$ 148,255,973</u>	<u>\$ 158,440,094</u>

As part of the Association's liquidity management, the Association invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Association has a committed letter of credit in the amount of \$8,643,779 which it could draw upon. The use of this line of credit is generally restricted to the extent that the Association is in need of liquidity to fund program-related obligations.

NOTE 5 - INVESTMENTS

The following table summarizes the fair value classification of investments as of June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,449,828	\$ -	\$ -	\$ 3,449,828
Hedge funds	12,341,130	-	-	12,341,130
Fixed income	22,154,323	-	-	22,154,323
Commodities	3,822,582	-	-	3,822,582
Equities	<u>82,422,447</u>	<u>-</u>	<u>-</u>	<u>82,422,447</u>
Total	<u>\$ 124,190,310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,190,310</u>

(Continued)

THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2024 and 2023

NOTE 5 – INVESTMENTS (Continued)

The following table summarizes the fair value classification of investments as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 4,463,472	\$ -	\$ -	\$ 4,463,472
Hedge funds	13,010,786	-	-	13,010,786
Fixed income	26,116,459	-	-	26,116,459
Commodities	3,825,368	-	-	3,825,368
Equities	<u>84,328,550</u>	<u>-</u>	<u>-</u>	<u>84,328,550</u>
 Total	 <u>\$ 131,744,635</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 131,744,635</u>

Mutual funds, publicly traded hedge funds, and equity securities are valued based on quoted prices for identical instruments in active markets (Level 1).

Fixed income instruments are valued based upon quoted prices for identical instruments in active markets (Level 1) and or imputing values from other instruments using matrix pricing for current yields and similar durations (Level 2 – income approach).

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

Investment returns are summarized for the years ended June 30, 2024 and 2023, in the table below:

<u>2024</u>		
Dividends and interest		\$ 3,221,911
Net realized and unrealized gain		9,539,435
Management fee expense		<u>(412,561)</u>
 Total		 <u>\$ 12,348,785</u>
 <u>2023</u>		
Dividends and interest		\$ 3,140,370
Net realized and unrealized gain		11,060,309
Management fee expense		<u>(126,774)</u>
 Total		 <u>\$ 14,073,905</u>

(Continued)

THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2024 and 2023

NOTE 6 - PENSION AND OTHER BENEFIT PLANS

The Association sponsors a non-contributory, defined benefit pension plan (the Plan) for employees that meet age and service requirements. Benefits are provided based on years of service and compensation. Employees hired on or after January 1, 2007, are not eligible to participate in the Plan. Active employees older than age 55 as of January 1, 2007, are eligible to receive retiree medical insurance if they retire before age 65.

FASB Accounting Standards Codification (ASC) 715-60, *Defined Benefit Plans - Other Postretirement*, requires the Association to recognize the funded status of a defined benefit retirement plan as an asset or liability in its statements of financial position and to recognize changes in that funded status in net assets without donor restrictions in the year in which the change occurs.

Benefit obligation and funded status as of June 30, are as follows:

	<u>2024</u>	<u>2023</u>
Change in benefit obligation		
Benefit obligation, beginning of year	\$ 56,100,953	\$ 60,755,855
Interest cost	2,880,567	2,838,974
Actuarial gain	(470,510)	(2,701,297)
Benefits paid	<u>(4,644,927)</u>	<u>(4,792,579)</u>
Benefit obligation, end of year	53,866,083	56,100,953
Change in plan assets		
Fair value of plan assets at beginning of year	55,997,431	58,027,836
Actual return on plan assets	2,778,529	2,162,174
Employer contributions	500,000	600,003
Benefits paid	<u>(4,644,927)</u>	<u>(4,792,582)</u>
Fair value of plan assets at end of year	<u>54,631,033</u>	<u>55,997,431</u>
Funded status	<u>\$ 764,950</u>	<u>\$ (103,522)</u>
Accumulated benefit obligation	\$ 53,866,083	\$ 56,100,953

Amounts recognized in the statements of financial position as of June 30, consist of:

	<u>2024</u>	<u>2023</u>
Non-current liability	\$ -	\$ 103,522
Prepaid asset	764,950	-

(Continued)

THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2024 and 2023

NOTE 6 - PENSION AND OTHER BENEFIT PLANS(Continued)

Amounts not yet recognized as a component of net periodic benefit cost but recognized in net assets without donor restrictions as of June 30, 2024 and 2023, consist of the following:

	<u>2024</u>	<u>2023</u>
Net actuarial loss	\$ 11,012,716	\$ 11,037,577
Total	<u>\$ 11,012,716</u>	<u>\$ 11,037,577</u>

Amounts recognized in the change in value of pension plan for the years ended June 30, consist of the following:

	<u>2024</u>	<u>2023</u>
Amounts recognized in pension benefit changes other than net periodic benefit costs:		
Unrecognized actuarial gain arising during the year	\$ 298,171	\$ (1,828,864)
Amortization of unrecognized actuarial gain	<u>(323,029)</u>	<u>(415,777)</u>
	(24,858)	(2,244,641)
Other changes in the pension plan valuation:		
Other	<u>(343,614)</u>	<u>220,147</u>
Total change in pension plan valuation	<u>\$ (368,472)</u>	<u>\$ (2,024,494)</u>

The benefit cost for the years ended June 30, is as follows:

	<u>2024</u>	<u>2023</u>
Other components of net periodic benefit cost		
Interest cost	\$ 2,880,567	\$ 2,838,977
Expected return on plan assets	(3,547,210)	(3,034,607)
Net loss amortization	<u>323,029</u>	<u>415,777</u>
Total net benefit cost	<u>\$ (343,614)</u>	<u>\$ 220,147</u>

The estimated net actuarial loss for the Plan that will be amortized into net periodic benefit cost during fiscal year 2024 is \$323,029. The estimated employer contributions to the Plan during fiscal year 2024 is \$500,000.

(Continued)

THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2024 and 2023

NOTE 6 - PENSION AND OTHER BENEFIT PLANS(Continued)

The assumptions used in the measurement of the benefit obligations at June 30 are as follows:

	<u>2024</u>	<u>2023</u>
Discount rate (benefit expense)	5.35 %	4.85 %
Discount rate (benefit obligation)	5.55	5.35
Expected long-term return on plan assets	6.20	5.40
Rate of compensation increase	N/A	3.50

The discount rate assumption is set annually for each of the Association's retirement-related benefit plans to reflect the yield of high-quality corporate debt instruments. The expected long-term return on plan assets is the weighted-average return of the target asset allocation of each individual asset class. The expected return on plan assets is compared to historical returns for reasonableness.

The significant reasons for the change in the funded status and reduction in net periodic cost was because the actual investment return on plan assets was greater than assumed, the discount rate increased compared to the prior year, and benefit accruals were frozen in the prior year.

The actual allocations for the pension assets and target allocations by asset class as of June 30, are as follows:

	<u>Percentage of Plan Assets</u>		<u>Target Allocations</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	10 %	10 %	- %	- %
Exchange traded funds	15	23	15	25
Fixed income	<u>75</u>	<u>67</u>	<u>85</u>	<u>75</u>
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

The Association's investment strategy for its defined benefit plan is to generate rates of return that will provide for funding of the obligations incurred under the Plan, while minimizing the volatility of the funding target. The asset allocation policy for the Plan reflects the demographics and status of the plan participants, benefit payments, risk and return objectives, liquidity requirements, capital market expectations, and funding status. The long-term, strategic asset allocations are reviewed periodically, taking into account the Plan's time horizon, risk tolerances, performance expectations and asset class preferences.

Cash equivalent investments used to accommodate monthly benefit payouts are held in non-marketable money market funds. Plan assets to be held in cash reserves may range between one and six months of anticipated amount of monthly benefit payouts. Cash represents less than 1% of the total portfolio. The Association also invests in money market funds, which are publicly traded.

Mutual funds and equity securities are valued based on quoted prices for identical instruments in active markets (Level 1).

(Continued)

THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2024 and 2023

NOTE 6 - PENSION AND OTHER BENEFIT PLANS(Continued)

Fixed income instruments are valued based upon quoted prices for identical instruments in active markets (Level 1) and or imputing values from other instruments using matrix pricing for current yields and similar durations (Level 2 – income approach).

The following table summarizes the fair value classifications of the defined benefit plan as of June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 5,558,380	\$ -	\$ -	\$ 5,558,380
Fixed income	-	40,683,480	-	40,683,480
Exchange traded funds	8,351,661	-	-	8,351,661
Alternative investments	37,512	-	-	37,512
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 13,947,553</u>	<u>\$ 40,683,480</u>	<u>\$ -</u>	<u>\$ 54,631,033</u>

The following table summarizes the fair value classifications of the defined benefit plan as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,627,659	\$ -	\$ -	\$ 2,627,659
Fixed income	-	38,573,382	-	38,573,382
Exchange traded funds	14,750,896	-	-	14,750,896
Alternative investments	45,494	-	-	45,494
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 17,424,049</u>	<u>\$ 38,573,382</u>	<u>\$ -</u>	<u>\$ 55,997,431</u>

The Association's funding policy with respect to its pension plan is to contribute annually not less than the minimum required by applicable law and regulations. The Association does not expect to contribute to its defined benefit pension plan during the 2025 fiscal year. The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the fiscal years ending June 30:

2025	\$ 4,572,805
2026	4,531,316
2027	4,503,129
2028	4,460,457
2029	4,398,291
2030-2034	20,764,747

The Association also sponsors The International Association of Lions Clubs 401(k) Plan, a contributory, defined contribution plan in which all employees are eligible to participate after 60 days of active employment. The Association will match the first 6% of employee contributions, excluding catch-up contributions, for eligible participants, as defined by the defined contribution plan. Participants are immediately 100% vested in all participant and matching contributions. The 401(k) match expense is \$1,363,186 and \$1,344,971 for the years ended June 30, 2024 and 2023, respectively.

(Continued)

THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2024 and 2023

NOTE 7 - INSURANCE

The Association carries a broad range of insurance coverage for safeguarding of assets and members from certain risks, including non-owned auto and general liability. The current program has a per occurrence deductible of \$1,000,000, with regard to non-owned auto and general liability claims, subject to an aggregate of \$7,000,000. The deductible reserve is \$4,842,952 and \$5,026,147 as of June 30, 2024 and 2023, respectively.

NOTE 8 - LETTER OF CREDIT

The Association has an unused letter of credit in the amount of \$8,643,779 at both June 30, 2024 and 2023, respectively. The letter of credit was established for the benefit of the Association's insurers as collateral for payments made by the insurers on the deductible portion of claims.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Litigation: The Association is a defendant in various legal actions. In the opinion of management of the Association, claims arising as a result of these actions will not have a material adverse impact on the Association's financial statements.

Minimum Lease Payment Obligations: The Association has entered into several non-cancelable operating leases that expire at various dates. For the years ended June 30, 2024 and 2023, office rent expense was \$270,522 and \$223,900, respectively, and equipment rental expense was \$270,522 and \$95,400, respectively. Such expenses are included in the corresponding department to which the equipment or office space relates. These expenses are recognized using the straight-line method over the life of the lease. The minimum future lease payments under these non-cancelable lease agreements as of June 30, 2024, are as follows:

2025	\$ 383,356
2026	<u>377,977</u>
	<u>\$ 761,333</u>

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THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2024 and 2023

NOTE 10 - FUNCTIONAL EXPENSES

Operating expenses directly identified with a functional area are charged to that area directly, and supporting services and universally beneficial costs have been allocated amount the programs benefited. Functional expenses incurred for providing membership programs and services, management and general, and development expenses related to membership for the years ended June 30, 2024, are as follows:

	<u>Program</u>	<u>Administrative</u>	<u>Development</u>	<u>Total</u>
Salaries and related costs	\$ 20,350,267	\$ 6,652,444	\$ -	\$ 27,002,711
Travel	18,899,382	227,736	27,561	19,154,679
Depreciation	684,887	633,307	-	1,318,194
Maintenance	3,309,472	510,078	-	3,819,550
Awards	1,633,326	7,441	52	1,640,819
Postage	1,825,873	174,466	824	2,001,163
Insurance	14,905	4,041,123	-	4,056,028
Professional fees	3,236,138	713,060	-	3,949,198
Magazine	2,287,463	-	-	2,287,463
General session	2,070,946	-	-	2,070,946
Advertising	786,070	-	-	786,070
Translation	1,241,589	6,165	-	1,247,754
New member kits	1,240,765	-	360	1,241,125
Other	33,542,220	62,852	78,790	33,683,862
	<u>\$ 91,123,303</u>	<u>\$ 13,028,672</u>	<u>\$ 107,587</u>	<u>\$ 104,259,562</u>

Functional expenses incurred for providing membership programs and services, management and general, and development expenses related to membership for the years ended June 30, 2023, are as follows:

	<u>Program</u>	<u>Administrative</u>	<u>Development</u>	<u>Total</u>
Salaries and related costs	\$ 19,768,656	\$ 6,267,472	\$ -	\$ 26,036,128
Travel	19,457,635	169,227	17,317	19,644,179
Depreciation	1,095,157	619,826	-	1,714,983
Maintenance	4,176,710	522,793	-	4,699,503
Awards	1,029,395	6,555	1,188	1,037,138
Postage	1,855,646	200,983	3,291	2,059,920
Insurance	-	4,018,564	-	4,018,564
Professional fees	3,179,446	677,847	-	3,857,293
Magazine	2,227,408	-	-	2,227,408
General session	2,710,552	-	-	2,710,552
Advertising	959,239	-	-	959,239
Translation	1,500,586	3,374	-	1,503,960
New member kits	1,006,135	-	-	1,006,135
Other	6,047,268	(168,939)	133,541	6,011,870
	<u>\$ 65,013,833</u>	<u>\$ 12,317,702</u>	<u>\$ 155,337</u>	<u>\$ 77,486,872</u>

(Continued)

NOTE 11 - SUBSEQUENT EVENTS

The Association evaluated its June 30, 2024, financial statements for subsequent events through December 3, 2024, 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.