

CHAPTER XI FINANCE

A. INVESTMENT OF THE ASSOCIATION FUNDS

Investment decisions of the association shall be based upon board approved investment policy statements for the General Fund. These investment policy statements shall follow conventional formats used in the industry and shall comply with the association's Constitution and By-Laws at all times. These investment policy statements shall be maintained in the Chief of Finance & Treasurer's office and shall be reviewed by the Finance and Headquarters Operation Committee annually and updated as needed.

Approvals required for making investment decisions, other than those stated in the investment policy statements, are as follows:

1. The board of directors shall approve changes to investment policy statements, including asset allocations.
2. The board of directors shall approve changes to investment advisors/consultants.
3. Transfer of funds to/from operating cash management accounts from/to investments accounts shall be executed as needed with the approval of Chief of Finance & Treasurer.

B. COMMITMENTS AND SIGNATURE AUTHORITY

1. Financial Commitments in Name of Association

There is to be no financial commitment made in the name of the association or any expense incurred for reimbursement by the association that is not provided for in the rules or budget approved by the board.

2. Approvals (Expenditures)

Approval of an administrative officer shall be required on all association commitments for goods or services that are equivalent to or exceed U.S. Ten Thousand Dollars (US\$10,000.00), with the exception of club supplies merchandise and utilities. Funds to cover such commitments must be provided in the budget approved by the board of directors.

Additional approval by The Executive Committee shall be obtained for:

- a. Contracts for unique items or services, which do not lend themselves to competitive bidding and when the total financial obligation is more than US\$200,000 and less than US\$400,000; provided that contracts for proprietary licenses or maintenance and

service agreements, necessary for operation of the association, shall be approved by the Executive Administrator.

- b. Contracts for consultant services, when arrived at through a Request for Quote (RFQ) or sole source, if they exceed US\$150,000 and less than US\$250,000.

Additional approval by The Board of Directors shall be obtained for:

- a. Contracts for unique items or services, which do not lend themselves to competitive bidding and when the total financial obligation is more than US\$400,000; provided that contracts for proprietary licenses or maintenance and service agreements, necessary for operation of the association, shall be approved by the Executive Administrator.
- b. Contracts for consultant services, when arrived at through a Request for Quote (RFQ) or sole source, if they exceed US\$250,000.

3. **Bank Accounts**

Any of the Authorized Persons named below shall be and hereby are authorized and empowered, to designate in each country, in accordance with local banking regulations, in which Lions Clubs are or may be established, the following on behalf of The International Association of Lions Clubs:

- a. Open and close deposit accounts, sign account agreements, and sign contracts for deposit-related and other services.
- b. Sign and authorize checks, drafts, withdrawal slips, and any other orders for the payment of money, whether by paper, electronic, or any other means.
- c. Execute online banking agreements on behalf of Lions Clubs International.

AUTHORIZED PERSONS. The names and genuine signatures, manual or facsimile, of the authorized persons are as follows:

Catherine M. Rizzo, Chief of Finance and Treasurer

Jayne Kill, Manager, Accounting Department

~~**Jason Cobb, Division Manager, Finance**~~

Christine Hastings, LCIF Manager, Financial Planning & Analysis

4. **New Bank Account**

The Finance and Headquarters Operation Committee must approve a bank account in any country, unless the association currently maintains a bank account in that country or the account is temporary to support the operations at the international convention.

C. FISCAL AGENTS

Country	Fiscal Agent	Date
1. India	Arijit Sen	July 3, 2018
2. Japan	Yoshiko Merz	January 1, 2018
3. France	William Galligani Past International Director	July 1, 2019

D. ACCOUNTING PROCEDURES

1. Accounting System

The financial records of the International Association of Lions Clubs are maintained in accordance with US Generally Accepted Accounting Policies (GAAP) as well as local and federal rules and regulations. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. All amounts are presented in United States dollars.

2. **Lion Magazine** budget shall be charged with an allocation of Headquarters costs as approved by the Board in each annual budget.
3. **The Club Supplies and Distribution** budget shall be charged with an allocation of Headquarters costs as approved by the Board in each annual budget.
4. **Allocation of Headquarters Cost to LCIF**
Lions Clubs International Foundation shall be charged with an allocation of its costs related to the international headquarters, as determined and approved by the Board of Directors of Lions Clubs International and Board of Trustees of Lions Clubs international Foundation in each annual budget.
5. **Club Suspension and Cancellation**
A club, which has an unpaid balance in excess of US\$20 per member or US\$1,000 per club, whichever is less, outstanding past 120 days will be suspended, including the suspension of the club's charter, and all the rights, privileges, and obligations of the Lions club.

In the event the club does not acquire good standing, as defined by board policy, on or before the 28th day of the month following suspension, the club's charter will be

automatically cancelled. The cancellation of a club for financial suspension may be rescinded within 12 months from the date of the cancellation, in the event the club has paid their account balance in full and a completed reactivation report is received.

Any club that has been approved for a payment plan by the Finance Division will not be suspended, so long as it continues to fulfill its obligation per the approved payment plan.

Protection from Suspension

Certain geographical locations may be identified as requiring protection from suspension, due to factors that affect the Association's ability to promptly and accurately credit payment to properly record club account balances. These areas will be protected for a period sufficient to analyze the issues to be addressed and or corrected.

E. FINANCIAL PROJECTIONS

1. Budget Procedures

- a. The Finance and Headquarters Operation Committee (the "Committee") shall establish the preliminary revenues for the association's upcoming annual budget. Revenue projections shall be based on sound financial benchmarks and considering the constraints of the most current membership and dues levels.
- b. At the March/April board meeting, each committee of the board shall present the proposed expense budgets to the Committee.
- c. The Finance and Headquarters Operation Committee will receive the preliminary budget at least two weeks prior to the date of the board.
- d. The Committee shall present a proposed final budget to the board for review at the board meeting prior to the international convention. In the event anticipated revenues are insufficient to fund estimated disbursements, the Finance & Headquarters Operation Committee will review a projected cash flow based on the budget. If cash and cash equivalents are insufficient to meet the shortfall, further funds may be available subject to the Operating Reserve.
- e. Each member of the international board shall receive the proposed final budget at least two weeks prior to the date of the board meeting at which such proposed budget is to be considered.

2. Updated Forecast of Revenues and Expenses

- a. The board shall approve at the October/ November and March/April board meetings a forecast of full year results based on actual to date and projections through year-end. The Committee shall submit a recommended full year forecast for review at the

January Executive Committee meeting. The Finance and Headquarters Operation Committee will receive the forecast at least one week prior to the date of the board meeting.

- b. All proposals to the board that have an impact on the forecast shall be reviewed with the Finance and Headquarters Operation Committee. All proposals shall include:
 - Projected costs for the current fiscal year as well as the subsequent two years.
 - Provide a brief description of impact on division's strategic initiatives and goals and objectives.
- c. The Finance and Headquarters Operations Committee will review a forecast of the association's cash flow for the current fiscal year at each board meeting. In the event anticipated revenues are insufficient to fund estimated disbursements, the Finance & Headquarters Operation Committee will review a projected cash flow based on the forecast. If cash and cash equivalents are insufficient to meet the shortfall, further funds may be available subject to the Operating Reserve.

3. **Five-Year Financial Projections**

The Finance and Headquarters Operation Committee will review five-year projections annually at the final regular board meeting. The five-year projections will assume a stable membership base. The Finance and Headquarters Operation shall make a recommendation to the Long Range Planning Committee if an increase in the membership dues structure is warranted for consideration at the next scheduled meeting.

4. **Operating Reserve**

The purpose is to establish a target minimum amount to be designated as operating reserve in an amount sufficient to maintain ongoing operations and programs, as well as fund long-term commitments.

A portion of the General Fund will be allocated to the Operating Reserve and will be calculated using a reserve model that first considers each revenue source and expense item from a detailed ten year forecast. A variance factor for each item is also developed which takes into account the confidence in the forecast by type of revenue or expense. For each year, a total nominal reserve is calculated as a representation of the total potential overstatements and understatements in revenues and expenses. The recommended reserve element then becomes the discounted present value of the annual nominal reserves (variances) over ten years. This calculation will be completed annually utilizing the most current financial information. An outside consultant utilizes a forecasting simulation analysis to consider the probability of the General Fund assets falling below the Designated Operating Reserve. This technique considers not only a range of returns but also the sequence of those returns. Importantly, this modeling process considers investment returns in both a favorable investment environment as well as under the worst potential outcomes (losses).

Utilizing the approach described in the preceding paragraph, an operating reserve will be calculated on an annual basis using an updated forecasting simulation analysis for review

by the Finance Committee in March/April. The operating reserve will be established for use in preparing the subsequent year budget.

F. TRANSFER OF ASSOCIATION FUNDS, EXCHANGE RATES, BLOCKED FUNDS, ETC.

1. Transfer of Association Funds – Empowering Resolution

BE IT RESOLVED, That the administrative officers of The International Association of Lions Clubs, jointly, shall be and hereby are authorized and empowered to make application to appropriate governmental authorities in any and all countries where said Association operates, in behalf of the International Board of Directors of said Association, for authorization to transfer funds. Such transfers shall only be those funds which are not needed for operations in the respective country. Such transfer of funds are required to cover costs which are related to administrating Clubs in the respective countries, such as operation of the International Headquarters, postage and other communication costs, publication of a magazine and other printed materials, and similar normal business operation expenses.

2. Transfer of Association Funds to Lions Clubs International Foundation

BE IT RESOLVED, That the Executive Administrator and the Treasurer of The International Association of Lions Clubs jointly shall be and hereby are authorized and empowered to transfer funds from Association accounts representing dues and other payments to the Association, to the Lions Clubs International Foundation account and, FURTHER, that the Executive Administrator and the Treasurer of the Association shall be and hereby are authorized and directed to take all steps and execute all documents necessary and proper to carry out this Resolution.

3. Blocked Funds

Approval is granted to take all the necessary efforts to transfer blocked funds into currencies needed by The International Association of Lions Clubs.

4. Financial Statements of Non-transferable Funds

Financial statements shall be prepared in such a way to properly reflect the potential loss of non-transferable funds. The specific countries and amounts are to be determined by the Finance Division.

5. Payment of Association Obligations

Payments will be made in the currency of the domicile of the individual, except when the best interest of the Association requires otherwise.

6. Exchange Rates

The rates of exchange on which Lions Clubs make payments shall be adjusted when necessary, to conform with provisions of the International Constitution and By-Laws. Constitutionally, payment of obligations to the Association by Clubs, Districts and Club members shall be made at the association's respective currency equivalent in effect at the time of payment.

7. Definition of Equivalent National Currency

"Equivalent national currency" as stated in the International Constitution and By-Laws shall be interpreted as the amount of national currency necessary to realize, at the time of payment, the U.S. dollar sums as stated in the Constitution and By-Laws.

G. CONFLICTS OF INTEREST POLICY

The officers, board, management and staff of the International Association of Lions Clubs ("the association") recognize a shared responsibility to ensure that they conduct themselves in an unbiased manner and serve the goals of the Lions of the world. It is the responsibility of the association to guard against conflicts of interest, which might compromise the integrity and objectivity of the association's operations.

1. Purpose

The purpose of the conflicts of interest policy is to protect the association's interests when it is contemplating entering into a transaction or arrangement that might benefit the private interests of an officer, director, manager, or staff of the association. This policy is intended to supplement, but not replace, any applicable state laws governing conflicts of interest applicable to nonprofit and charitable corporations.

2. Definitions

a. Interested Person

Any officer, director, or member of a committee with board delegated powers that have a direct or indirect financial interest is an interested person.

b. Financial Interest

A person has a financial interest if the person has, directly or indirectly, through business, investment or family:

- (1) An ownership or investment interest in any entity with which the association has a transaction or arrangement,

- (2) A compensation arrangement with the association or with any entity or individual with which the association has a transaction or arrangement, or
- (3) A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the association is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature. A financial interest is not necessarily a conflict of interest unless deemed so by the board or appropriate committee.

3. Procedures

a. Duty to Disclose

In connection with any actual or possible conflicts of interest, an interested person must disclose the existence of his or her financial interest and must be given the opportunity to disclose all material facts to the directors and members of committees with board delegated powers considering the proposed transaction or arrangement.

b. Determining Whether a Conflict of Interest Exists

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

c. Procedures for Addressing the Conflict of Interest

- (1) An interested person may make a presentation at the board or committee meeting, but after such presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement that results in the conflict of interest.
- (2) The President or the chairperson of the committee shall, if appropriate, appoint a disinterested person or committee to investigate alternative to the proposed transaction or arrangement.
- (3) After exercising due diligence, the board or committee shall determine whether the association can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest.
- (4) If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the association's best interest and for its own benefit and whether the transaction is fair and reasonable to the association and

shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

d. Violations of Conflicts of Interest Policy

- (1) If the board or committee has reasonable cause to believe that a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.
- (2) If, after hearing the response of the member and making such further investigation as may be warranted in the circumstances, the board or committee determines that the member has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

4. Records of Proceedings

The minutes of the board and all committees with board-delegated powers shall contain:

- a. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the board's or committee's decision as to whether a conflict of interest in fact existed.
- b. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection therewith.

5. Compensation, Meals, Entertainment (etc.)

- a. A voting member of the board of directors who receives compensation, etc., directly or indirectly, from the vendor is precluded from voting on matters pertaining to that member's compensation.
- b. A voting member of any committee whose jurisdiction includes compensation, etc., matters and who receives compensation, directly or indirectly, from the vendor is precluded from voting on matters pertaining to that member's compensation, etc.

6. Annual Statements

Each officer, director, and member of a committee with board-delegated powers shall annually sign a statement, attached hereto as Exhibit A, which affirms that such person:

- a. Has received a copy of the conflicts of interest policy,

- b. Has read and understands the policy,
- c. Has agreed to comply with the policy, and
- d. Understands that the association is a not for profit corporation and that in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

7. Periodic Reviews

To ensure that the association operates in a manner consistent with its not for profit purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from federal income tax, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- a. Whether compensation, etc., arrangements and benefits are reasonable and are the result of arm's-length bargaining.
- b. Whether partnership and joint venture arrangements and arrangements with vendors conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further the Corporation's not for profit purposes and do not result in inurement or impermissible private benefit.

8. Use of Outside Experts

In conducting the periodic reviews, the association may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the board of its responsibility for ensuring that periodic reviews are conducted.

Conflicts of Interest Policy Annual Statement

I hereby agree to be bound by the association's Conflicts of Interest Policy. In the event any transaction and/or relationship may arise that may involve a potential conflict of interest, I hereby agree to immediately bring the matter to the attention of the Finance and Headquarters Operation Committee for review. I understand that if the Finance and Headquarters Operation Committee finds a conflict of interest exists from a disclosed relationship(s), I may be required to divest myself from said relationship(s), or I may be required to resign my position with the association.

I would like to disclose the following transaction(s) and/or relationship(s) that may involve potential conflict(s) of interest. *(If none, please insert the word "none".)*

Signature

Date

Print Name
