

**LIONS CLUBS INTERNATIONAL FOUNDATION**

**CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2022 and 2021

LIONS CLUBS INTERNATIONAL FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

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## INDEPENDENT AUDITOR'S REPORT

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

**Report on the Audit of the Financial Statements*****Opinion***

We have audited the consolidated financial statements of Lions Clubs International Foundation (the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lions Clubs International Foundation as of June 30, 2022 and 2021, and the changes in their net assets, and their 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 Foundation 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year from the date the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 Foundation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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

Chicago, Illinois  
October 6, 2022

LIONS CLUBS INTERNATIONAL FOUNDATION  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 10,285,915	\$ 16,346,779
Accrued investment income receivable	513,541	312,622
Accounts receivable, net	53,710	77,246
Due from non-United States Lions Clubs districts	2,367,674	1,146,588
Due from the International Association of Lions Clubs	5,979,618	5,880,774
Prepaid expenses	942,726	1,165,385
Promises to give, net	11,701,016	9,316,302
Investments	326,408,577	346,869,801
Property and equipment, net	<u>320,441</u>	<u>419,457</u>
	<u>\$ 358,573,218</u>	<u>\$ 381,534,954</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 542,705	\$ 664,610
Accrued expenses	865,639	739,494
Deferred revenue	419,251	115,885
Grants payable	17,627,348	17,416,630
Charitable gift annuities	<u>67,339</u>	<u>70,427</u>
Total liabilities	19,522,282	19,007,046
Net assets		
Without donor restrictions	291,199,331	320,912,233
With donor restrictions	<u>47,851,605</u>	<u>41,615,675</u>
Total net assets	<u>339,050,936</u>	<u>362,527,908</u>
	<u>\$ 358,573,218</u>	<u>\$ 381,534,954</u>

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

LIONS CLUBS INTERNATIONAL FOUNDATION  
CONSOLIDATED STATEMENT OF ACTIVITIES  
Year ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Operating</b>			
Revenue and gains			
Contributions	\$ 38,876,863	\$ 26,782,343	\$ 65,659,206
Program revenue, net	178,663	-	178,663
Investment return, net	13,296,904	256,289	13,553,193
Net assets released from restrictions - satisfaction of purpose restrictions	<u>20,379,354</u>	<u>(20,379,354)</u>	<u>-</u>
Total operating revenue and gains	72,731,784	6,659,278	79,391,062
Expenses and losses			
Program services			
Grants	33,934,914	-	33,934,914
Lions Quest	1,943,707	-	1,943,707
Global grants division	<u>3,757,430</u>	<u>-</u>	<u>3,757,430</u>
Total program services	39,636,051	-	39,636,051
Administrative	4,704,259		4,704,259
Development	<u>10,347,026</u>	<u>-</u>	<u>10,347,026</u>
Total operating expenses	<u>54,687,336</u>	<u>-</u>	<u>54,687,336</u>
Operating revenue and gains in excess of operating expenses	18,044,448	6,659,278	24,703,726
<b>Non-Operating</b>			
Revenue and gains (losses)			
Investment return, net	(47,829,289)	(423,348)	(48,252,637)
Net loss on currency exchange	78,474	-	78,474
Change in value of charitable gift annuities	(6,552)	-	(6,552)
Other income	<u>17</u>	<u>-</u>	<u>17</u>
Total non-operating revenue and losses	<u>(47,757,350)</u>	<u>(423,348)</u>	<u>(48,180,698)</u>
Changes in net assets	(29,712,902)	6,235,930	(23,476,972)
Net assets, beginning of year	<u>320,912,233</u>	<u>41,615,675</u>	<u>362,527,908</u>
<b>Net assets, end of year</b>	<u><u>\$ 291,199,331</u></u>	<u><u>\$ 47,851,605</u></u>	<u><u>\$ 339,050,936</u></u>

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

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Operating</b>			
Revenue and gains			
Contributions	\$ 37,291,169	\$ 9,167,010	\$ 46,458,179
Program revenue, net	78,376	-	78,376
Investment return, net	16,203,835	-	16,203,835
Net assets released from restrictions - satisfaction of purpose restrictions	<u>16,836,796</u>	<u>(16,836,796)</u>	<u>-</u>
Total operating revenue and gains	70,410,176	(7,669,786)	62,740,390
Expenses and losses			
Program services			
Grants	30,016,054	-	30,016,054
Lions Quest	1,725,619	-	1,725,619
Global grants division	<u>3,837,153</u>	<u>-</u>	<u>3,837,153</u>
Total program services	35,578,826	-	35,578,826
Administrative	4,117,043	-	4,117,043
Development	<u>8,687,541</u>	<u>-</u>	<u>8,687,541</u>
Total operating expenses	<u>48,383,410</u>	<u>-</u>	<u>48,383,410</u>
Operating revenue and gains in excess of (less than) operating expenses	22,026,766	(7,669,786)	14,356,980
<b>Non-Operating</b>			
Revenue and gains (losses)			
Investment return, net	45,992,904	246,198	46,239,102
Net loss on currency exchange	(238,000)	-	(238,000)
Change in value of charitable gift annuities	(2,011)	-	(2,011)
Other income	<u>15</u>	<u>-</u>	<u>15</u>
Total non-operating revenue and gains	<u>45,752,908</u>	<u>246,198</u>	<u>45,999,106</u>
Changes in net assets	67,779,674	(7,423,588)	60,356,086
Net assets, beginning of year	<u>253,132,559</u>	<u>49,039,263</u>	<u>302,171,822</u>
<b>Net assets, end of year</b>	<u><u>\$ 320,912,233</u></u>	<u><u>\$ 41,615,675</u></u>	<u><u>\$ 362,527,908</u></u>

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

LIONS CLUBS INTERNATIONAL FOUNDATION  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
Year ended June 30, 2022

	Program Services					
	Lions Quest	Global Grants		Total		
		Division	Program	Administrative	Development	Total
Grants	\$ 1,083,165	\$ 32,851,749	\$ 33,934,914	\$ -	\$ -	\$ 33,934,914
Salaries and related costs	663,263	1,630,062	2,293,325	1,952,615	2,448,254	6,694,194
Allocation of headquarters costs	379,660	1,056,514	1,436,174	1,905,769	1,124,740	4,466,683
Donor recognition	-	-	-	-	4,247,653	4,247,653
Travel	33,948	67,333	101,281	266,519	987,778	1,355,578
Professional services	133,215	785,918	919,133	183,981	518,343	1,621,457
Convention, trainings and meetings	35,667	43,324	78,991	34,374	184,927	298,292
Program development	506,770	-	506,770	-	-	506,770
Advertising and promotion	95,676	90,445	186,121	-	694,538	880,659
Office expense	22,798	18,152	40,950	40,151	119,454	200,555
Sponsorship fees	-	62,797	62,797	-	-	62,797
Credit card fees	1,735	-	1,735	194,845	-	196,580
Fulfillment warehouse	76,645	-	76,645	-	-	76,645
Depreciation	-	-	-	99,016	-	99,016
Other	(5,670)	2,885	(2,785)	26,989	21,339	45,543
	\$ 3,026,872	\$ 36,609,179	\$ 39,636,051	\$ 4,704,259	\$ 10,347,026	\$ 54,687,336

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



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

	Program Services				Total
	Lions Quest	Global Grants	Division	Program	Administrative
Grants	\$ 1,342,830	\$ 28,673,224	\$ 30,016,054	\$ -	-
Salaries and related costs	763,014	2,078,173	2,841,187	1,978,677	1,978,677
Allocation of headquarters costs	338,671	812,920	1,151,591	1,513,687	1,513,687
Donor recognition	-	-	-	-	-
Travel	(1,611)	1,441	(170)	19,951	19,951
Professional services	249,560	767,110	1,016,670	235,783	235,783
Convention, trainings and meetings	7,182	27	7,209	22,650	22,650
Program development	208,254	-	208,254	-	-
Auxiliary staff expenses	-	-	-	-	-
Advertising and promotion	58,801	39,392	98,193	-	-
Office expense	(5,931)	17,077	11,146	56,286	56,286
Sponsorship fees	-	62,408	62,408	-	-
Credit card fees	2,498	-	2,498	136,944	136,944
Fulfillment warehouse	77,320	-	77,320	-	-
Depreciation	-	56,692	56,692	99,016	99,016
Other	27,861	1,913	29,774	54,049	54,049
	<u>\$ 3,068,449</u>	<u>\$ 32,510,377</u>	<u>\$ 35,578,826</u>	<u>\$ 4,117,043</u>	<u>\$ 4,117,043</u>
				<u>Development</u>	<u>Total</u>
				\$ -	\$ 30,016,054
				2,384,479	7,204,343
				874,681	3,539,959
				3,402,317	3,402,317
				363,322	383,103
				973,894	2,226,347
				17,970	47,829
				-	208,254
				36,000	36,000
				439,505	537,698
				161,834	229,266
				-	62,408
				-	139,442
				-	77,320
				-	155,708
				33,539	117,362
				<u>\$ 8,687,541</u>	<u>\$ 48,383,410</u>

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

LIONS CLUBS INTERNATIONAL FOUNDATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (23,476,972)	\$ 60,356,086
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	99,016	155,708
Net realized and unrealized losses (gains) on investments	41,325,847	(57,064,370)
Changes in operating assets and liabilities		
Accrued investment income receivable	(200,919)	8,069
Accounts receivable	23,536	(26,189)
Due from non-United States Lions Clubs districts	(1,221,086)	(142,894)
Due from The International Association of Lions Clubs	(98,844)	(1,171,848)
Prepaid expenses	222,659	(24,238)
Promises to give, net	(2,384,714)	3,855,416
Other assets	-	5,229
Accounts payable and accrued expenses	4,240	121,736
Deferred revenue	303,366	115,885
Grants payable	210,718	(1,530,702)
Charitable gift annuities	(3,088)	(8,427)
Net cash provided by operating activities	<u>14,803,759</u>	<u>4,649,461</u>
<b>Cash flows from investing activities</b>		
Purchases of investments	(96,704,860)	(81,997,601)
Proceeds from sale of investments	<u>75,840,237</u>	<u>86,738,173</u>
Net cash (used in) provided by investing activities	<u>(20,864,623)</u>	<u>4,740,572</u>
<b>Change in cash and cash equivalents</b>	(6,060,864)	9,390,033
Cash and cash equivalents, beginning of year	<u>16,346,779</u>	<u>6,956,746</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 10,285,915</u></u>	<u><u>\$ 16,346,779</u></u>

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

## **NOTE 1 - ORGANIZATION AND RELATED-PARTY DATA**

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

The Association and the Foundation administer transactions on behalf of each other. The balances resulting from these transactions are settled periodically. As of June 30, 2022 and 2021, the Foundation had a receivable of \$5,979,618 and a receivable of \$5,880,774, 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 \$4,466,683 and \$3,539,959 in fiscal years 2022 and 2021, respectively, for such costs and services.

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

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

LIONS CLUBS INTERNATIONAL FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2022 and 2021

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

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

Promises to Give: The Foundation records unconditional promises to give at the present value of estimated cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. An allowance for uncollectable promises to give is based on historical experience and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2022 and 2021, the allowance was \$3,970,000 and \$3,160,000, respectively.

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

The Lions Quest program is delivered primarily through five-year licenses to an online platform, which are paid in advance. The initial payment is included in deferred revenue and recognized as revenue over the licensing period. Revenue from the sales of printed program materials is recognized upon shipment of printed materials representing the point in time control, title, and risks of ownership of the merchandise transfers to the customer. Returns are netted against revenue. Amounts received in advance of shipment of program materials are recorded as deferred revenue.

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

	<u>2022</u>	<u>2021</u>
Program revenue	\$ 260,374	\$ 353,169
Cost of sales	<u>(81,711)</u>	<u>(274,793)</u>
Program revenue, net	<u>\$ 178,663</u>	<u>\$ 78,376</u>

Receivables: Accounts receivable represents merchandise and workshop sales for the Lions Quest program, net of allowance for doubtful accounts. The carrying value of accounts receivable approximates fair value. The allowance for doubtful accounts represents the Foundation's best estimate of probable losses in the receivable balance as determined from a review of past due balances and other specific account data. Accounts that are outstanding longer than 90 days are considered past due. All accounts over 90 days old are reviewed regularly and any accounts considered uncollectible are written off. The allowance for doubtful accounts balance was approximately \$31,000 and \$69,900 as of June 30, 2022 and 2021, respectively.

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

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

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

In July 2021, the Foundation consolidated its Humanitarian Initiatives, New & Emerging Initiatives, Global Health Initiatives (which includes SightFirst program) into one Global Grants Division. Accordingly, all SightFirst expenses have been consolidated into Other Programs in the Statement of Activities and Statement of Functional Expenses.

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LIONS CLUBS INTERNATIONAL FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2022 and 2021

**NOTE 3 - LIQUIDITY AND AVAILABILITY**

As of June 30, 2022 and 2021, financial assets available within one year of the consolidated statements of financial position date for general expenditure were as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 10,285,915	\$ 16,346,779
Accrued investment and dividend income	513,541	312,622
Accounts receivable	53,710	77,246
Due from the International Association of Lions Clubs	5,979,618	5,880,774
Promises to give, net	9,868,149	8,437,536
Investments	<u>293,840,359</u>	<u>308,878,121</u>
	320,541,292	339,933,078
Less amounts committed for grants payable within one year	<u>(16,082,043)</u>	<u>(16,275,278)</u>
Total financial assets available	<u>\$ 304,459,249</u>	<u>\$ 323,657,800</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 certain alternative investments 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 \$21,000,000 and \$15,800,000 as of June 30, 2022 and 2021, respectively, 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 \$11,600,000 and \$22,200,000 as of June 30, 2022 and 2021, respectively, that are expected to be used beyond one year.

Donations received and designated as Campaign SightFirst II were invested in a separate portfolio. During this campaign, the Foundation had a policy requiring all income derived from the investment of campaign donations to be designated for SightFirst program expenses and are considered Board Designated unrestricted funds. As of June 30, 2022 and 2021, the SightFirst II portfolio has accumulated investment income of \$4,672,253 and \$6,856,995, respectively. Accumulated net investment income used for SightFirst program expenses for the years ending June 30, 2022 and 2021 were \$1,041,886, and \$1,227,262, 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 \$1,830,000 and \$880,000 of promises to give that are expected to be received beyond one year as of June 30, 2022 and 2021, respectively.

(Continued)



LIONS CLUBS INTERNATIONAL FOUNDATION  
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**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:

	<u>2022</u>	<u>2021</u>
Within one year	\$ 13,234,200	\$ 11,310,506
In one to five years	2,646,261	1,242,495
Over five years	-	-
	<u>15,880,461</u>	<u>12,553,001</u>
Less allowance for uncollectable promises to give	(3,970,000)	(3,160,000)
Less discount to net present value at a rate of 2.68%	(33,841)	(39,425)
Less discount to net present value at a rate of 1.74%	(36,274)	(28,363)
Less discount to net present value at a rate of 0.24%	(2,156)	(2,616)
Less discount to net present value at a rate of 0.67%	(2,167)	(6,295)
Less discount to net present value at a rate of 3.00%	<u>(135,007)</u>	<u>-</u>
Total promises to give, net	<u>\$ 11,701,016</u>	<u>\$ 9,316,302</u>

At June 30, 2022, three donors accounted for 15% of total promises to give.

(Continued)



LIONS CLUBS INTERNATIONAL FOUNDATION  
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**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 are gifts 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>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose or time restricted:		
General Disaster Relief	\$ 10,678,827	\$ 7,407,317
Campaign SightFirst II	9,329,583	14,117,976
Refugees and Displaced Persons	6,307,728	-
Measles Initiative	2,563,130	2,603,704
Other restricted	6,255,446	7,154,501
Promises to give, net balance	<u>11,701,016</u>	<u>9,316,302</u>
	46,835,730	40,599,800
Endowments		
Restricted by donors for benefit of the blind	515,875	515,875
Restricted by donors to support sight-related activities in Louisiana	<u>500,000</u>	<u>500,000</u>
Total net assets with donor restriction	<u>\$ 47,851,605</u>	<u>\$ 41,615,675</u>

**NOTE 6 - NET ASSETS RELEASED FROM RESTRICTIONS**

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

	<u>2022</u>	<u>2021</u>
General Disaster Relief	\$ 6,157,532	\$ 4,516,706
Campaign SightFirst II	4,788,393	4,417,714
Refugees and Displaced Persons	1,473,260	-
Measles Initiative	164,000	793,849
Payments on pledges	3,893,393	3,614,503
Other restricted	<u>3,902,776</u>	<u>3,494,024</u>
Total	<u>\$ 20,379,354</u>	<u>\$ 16,836,796</u>

(Continued)

LIONS CLUBS INTERNATIONAL FOUNDATION  
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**NOTE 7 - GRANTS**

Grant expense for the years ended June 30, 2022 and 2021, consisted of the following:

	<u>2022</u>	<u>2021</u>
Disaster, net of grant adjustments of \$176,827 and \$149,824, respectively	\$ 5,841,346	\$ 5,161,770
SightFirst, net of grant adjustments of \$128,100 and \$1,491,690, respectively	4,691,786	4,347,972
Vision, net of grant adjustments of \$3,483 and \$4,229, respectively	3,473,083	2,646,745
Youth, net of grant adjustments of \$289,454 and \$809,477, respectively	2,930,238	3,646,828
Hunger, net of grant adjustments of \$29,527 and \$0, respectively	1,708,851	1,384,821
Refugees and Displaced Persons, net of grant adjustments of \$150,000 and \$0, respectively	1,566,416	-
Diabetes, net of grant adjustments of \$304,875 and \$284,036, respectively	1,497,457	1,471,619
Childhood Cancer, net of grant adjustments of \$44,511 and \$10,315, respectively	1,225,807	1,961,336
Other grants, net of grant adjustments of \$401,689 and \$489,528, respectively	<u>10,999,930</u>	<u>9,394,963</u>
Total grants approved	<u>\$ 33,934,914</u>	<u>\$ 30,016,054</u>

Unconditional grants payable of approximately \$16.1 million at June 30, 2022, are contractually obligated to be paid as early as fiscal year 2023.

Conditional grants payable at June 30, 2022 totaled approximately \$6.1 million.

(Continued)

LIONS CLUBS INTERNATIONAL FOUNDATION  
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**NOTE 8 - INVESTMENTS AND FAIR VALUE**

The following table summarizes the fair value measurements of investments as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Cash and cash equivalents	\$ 7,176,309	\$ -	\$ -	\$ -	\$ 7,176,309
Equity investments/ securities	140,160,934	-	-	-	140,160,934
Fixed income investments/securities	63,785,164	52,212,581	-	-	115,997,745
Hedge funds	93,764	-	-	36,269,295	36,363,059
Gold index funds	1,308,892	-	-	-	1,308,892
Private equity funds	-	-	-	9,449,835	9,449,835
Real estate	5,791,549	-	-	10,160,254	15,951,803
<b>Total</b>	<b>\$ 218,316,612</b>	<b>\$ 52,212,581</b>	<b>\$ -</b>	<b>\$ 55,879,384</b>	<b>\$ 326,408,577</b>

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

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

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

(Continued)

LIONS CLUBS INTERNATIONAL FOUNDATION  
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**NOTE 8 - INVESTMENTS AND FAIR VALUE** (Continued)

Inputs and Valuation techniques:

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

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

Investments recorded at NAV consist of the following.

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

*Private equity and real estate funds:* Private equity and real estate funds consist of limited partnerships. These funds generally cannot be redeemed and are subject to the terms of the individual funds. The funds typically have lives of up to 10 years, and distributions are at the discretion of the general partners and are usually only after the realization of investments within the fund. At June 30, 2022 and 2021, the Foundation had unfunded commitments of approximately \$29,520,000 and \$13,222,000, respectively, related to these limited partnership investments. These amounts are not reflected in the consolidated financial statements as a liability.

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

	<u>2022</u>	<u>2021</u>
Dividends and interest	\$ 7,316,775	\$ 5,990,227
Net realized and unrealized (losses) gain	(41,325,847)	57,064,370
Management fees	<u>(690,372)</u>	<u>(611,660)</u>
Total investment return	<u>\$ (34,699,444)</u>	<u>\$ 62,442,937</u>

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

**NOTE 9 - PROPERTY AND EQUIPMENT**

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

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 5,317,053	\$ 5,317,054
Less accumulated depreciation	<u>(4,996,612)</u>	<u>(4,897,597)</u>
Total	<u>\$ 320,441</u>	<u>\$ 419,457</u>

(Continued)

**NOTE 10 - SUBSEQUENT EVENTS**

The Foundation evaluated its June 30, 2022, consolidated financial statements for subsequent events through October 6, 2022, the date the consolidated financial statements were available to be issued, and is not aware of any subsequent events that would require recognition or disclosure in the consolidated financial statements.