

CHAPTER XI
FINANCE

A. BANK RESOLUTIONS

1. Standard Chartered Bank LTD

Be It Resolved that the following letter be sent to:

Standard Chartered Bank LTD
Hotel Metropole Branch
Abdullah Haroon Road
Karachi, Pakistan

In consideration of having agreed at our request to permit us to operate on our account with you by cheque in the usual form supplied by you but affixing authorized signatures thereto by means of facsimile signature plates as per specimen annexed hereto, we hereby agree to indemnify you against and to pay to you on demand, all losses, costs and expenses of every kind whatsoever which you may sustain or incur by reason of any cheque or cheques drawn by us in the usual form supplied by you but bearing authorized facsimile signatures as per specimen annexed hereto, being held to deprive you of the protection afforded to Bankers by Sections 85, 128 and 131 of the Negotiable Instruments Act 1881 or any one or more of these Sections or any future amendments or additions hereto.

2. JPMorgan Chase Bank, N.A.

BE IT RESOLVED: That JPMorgan Chase Bank, N.A. as a designated depository of this corporation be and it (including its correspondent banks) is hereby requested, authorized and directed to honor checks, drafts or other orders for the payment of money drawn in this corporation's name, including those payable to the individual order of any person or persons whose name or names appear thereon as signer or signers thereof, when bearing or purporting to bear the facsimile signature(s) of any two of the following:

Maryellen Skerik, Treasurer
Michael Carroll, Manager, Information Technology Division
Mark Koerlin, Manager, Accounting Department
Janet Bianchetta, Manager, Financial Reporting & Compliance

and JPMorgan Chase Bank, N.A. shall be entitled to honor and to charge this corporation for such checks, drafts or other orders, regardless of by whom or by what means the actual or purported facsimile signature or signatures thereon may have been affixed thereto, if such facsimile signature or signatures resemble the

facsimile specimens duly certified to or filed with JPMorgan Chase Bank, N.A. by the Secretary or other officer of this corporation.

BE IT RESOLVED, That an account of this corporation be opened and/or maintained with JPMorgan Chase Bank, N.A., to be captioned or designated: The International Association of Lions Clubs. Checks, drafts and orders for the payment of money withdrawing funds from said account or accounts may be signed jointly by 2 (two) of the following: Executive Director, Secretary, Treasurer, Finance Division Manager, Club Supplies & Distribution Division Manager, Information Technology Division Manager, Accounting Manager or Manager LCIF Donor and Financial Services, said bank being hereby authorized and directed to honor and pay any checks, drafts, or orders so drawn, when so signed, whether such checks, drafts, or orders be payable to the order of any officer or person signing said checks, drafts, or orders or any of said officers or persons in their individual capacities or not, and whether such checks, drafts, or orders are deposited to the individual credit of any officer or person signing said checks, drafts, or orders or to the individual credit of any of the other officers or persons aforesaid or not.

AND BE IT FURTHER RESOLVED, That any two of the above be, and are hereby, jointly authorized for and on behalf of this corporation:

To sell, transfer, and endorse for sale or for transfer, for and on behalf of this corporation, any and all securities, including registered bonds, stock and interim certificates, participation and other certificates;

To identify, approve, and/or guarantee the endorsement of any payee or endorser of any checks, drafts, or orders for the payment of money drawn by this corporation on the bank aforesaid or any other bank;

To identify and/or guarantee signatures and endorsements on any and all securities, registered bonds, stock and interim certificates, participation and other certificates, or on bond and/or stock powers of attorney executed in connection therewith;

To withdraw, receive, and receipt for and to withdraw upon trust receipt on the responsibility of, and at the risk of this corporation, and to sign orders for the withdrawal, substitution and/or exchange of any and all collateral, securities, or property pledged, assigned, transferred or otherwise held for its account. Such withdrawals, substitutions or exchanges may also be made by the bearer of any order, receipt or request so signed; and

To waive presentment, demand, protest and/or notice of dishonor or protest and to give instructions in regard to the handling or delivery of any negotiable or non-negotiable papers or documents involved in any of said transactions.

Anything herein to the contrary notwithstanding, to discount with, and endorse to, the aforesaid bank installment consumer paper for and on behalf of this corporation.

AND BE IT FURTHER RESOLVED, That the Secretary of this corporation is authorized to certify, under the corporate seal of the corporation, to said bank, a copy of these resolutions and the names of the persons authorized to act on behalf of the corporation in the premises, and said bank is hereby authorized to rely upon such certificates of the Secretary of the corporation until it is formally advised by a subsequent certificate and under the corporate seal of any changes therein.

BE IT RESOLVED, That JPMorgan Chase Bank, N.A. (hereinafter referred to as the "Bank") be and hereby is designated a depository in which the funds of this corporation may be deposited.

BE IT FURTHER RESOLVED, That any withdrawal orders against any account or any redemption of any certificate of deposit maintained by this corporation with the Personal Banking Department of the Bank must be signed or endorsed by two

Maryellen Skerik, Treasurer
Michael Carroll, Manager, Information Technology Division
Mark Koerlin, Manager, Accounting Department
Janet Bianchetta, Manager, Financial Reporting & Compliance

and the Bank is authorized to honor any and all withdrawals or redemptions so signed without inquiry or regard to the authority of said Officer or the purpose for which such withdrawal or redemption is made.

B. AUTHORIZED CHECK AND PROXY SIGNATORIES

1. BE IT RESOLVED by the Board of Directors of The International Association of Lions Clubs that Maryellen Skerik, Michael Carroll, Mark Koerlin, and Janet Bianchetta shall be and hereby are authorized and empowered to draw, sign, accept and/or endorse checks, bills of exchange, drafts, promissory notes and other orders for the payment of money and that the signatures of any two of said designees shall be necessary to the issuance, acceptance, endorsement or otherwise of any such documents; and
2. BE IT FURTHER RESOLVED, That Maryellen Skerik, Treasurer, be and hereby is authorized and empowered to employ a check-writing machine in the issuance of any Association check of less than U.S. ten thousand dollars (U.S.\$10,000.00) and to affix authorized signatures thereto by means of facsimile signature plates.
3. BE IT FURTHER RESOLVED, That an account of this ration be opened and/or maintained with JPMorgan Chase Bank, N.A., to be captioned or designated: The International Association of Lions Clubs and it (including its correspondent banks) is hereby requested, authorized and directed to honor checks, drafts or other orders for the payment of money drawn in this

corporation's name, including those drawn to the individual order of any person or persons whose name or names appear thereon as signer or signers thereof, when bearing or purporting to bear the facsimile signature or signatures of any two of the following, for amounts of less than U.S. ten thousand (U.S.\$10,000.00) dollars:

Maryellen Skerik, Treasurer
Michael Carroll, Manager, Information Technology Division
Mark Koerlin, Manager, Accounting Department
Janet Bianchetta, Manager, Financial Reporting & Compliance

and JPMorgan Chase Bank, N.A. (including its correspondent banks) shall be entitled to honor and to charge this corporation for all such checks, drafts or other orders, regardless of by whom or by what means the facsimile signature or signatures thereon may have been affixed thereto, if such facsimile signature or signatures resemble the facsimile specimens duly certified to or filed with JPMorgan Chase Bank, N.A. by the Secretary or other officer of this corporation.

4. The Executive Director or the Treasurer shall be authorized, on behalf of the association, to execute proxy certificates of issuers of securities owned by the Association.

C. SAFE DEPOSIT BOX

BE IT RESOLVED, That the Treasurer or in his/her absence, the Executive Director, shall authorize any and all access to the safe deposit box of the association with written notice and safekeeping of the safe deposit box key.

BE IT FURTHER RESOLVED, That any two of the following is and are hereby authorized to jointly access the safe deposit box at Oak Brook Bank or any safe deposit box or boxes replacing the same, for the association purposes:

Maryellen Skerik, Treasurer
Michael Carroll, Manager, Information Technology Division
Mark Koerlin, Manager, Accounting Department
Janet Bianchetta, Manager, Financial Reporting & Compliance

That a copy of the above resolution be furnished to Oak Brook Bank or other such bank where the association may maintain a safe deposit box, duly certified under the signature of the Secretary of the association and that the same be acted upon by the bank as conclusive evidence of the passing of this resolution.

D. INVESTMENT OF THE ASSOCIATION FUNDS

Investment decisions of the association shall be based upon board approved investment policy statements for the General Fund and the Emergency Reserve 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 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:

- a. The board of directors shall approve changes to investment policy statements, including asset allocations.
- b. The board of directors shall approve changes to investment advisors/consultants.
- c. Transfer of funds to/from operating cash management accounts from/to investments accounts shall be executed as needed with the approval of Treasurer.

E. 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 the Executive Director or Secretary or Treasurer 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 Director.

- 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 Director.
- 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

~~BE IT RESOLVED, That any two of the Authorized Persons named below shall be and hereby are authorized and empowered, jointly, to designate in each country 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.~~

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

~~**Maryellen Skerik, Treasurer**~~

~~**Michael Carroll, Manager, Information Technology Division**~~

~~**Mark Koerlin, Manager, Accounting Department**~~

~~**Janet Bianchetta, Manager, Financial Reporting & Compliance**~~

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:

Maryellen Skerik, Treasurer

Michael Carroll, Manager, Information Technology Division

Mark Koerlin, Manager, Accounting Department

Janet Bianchetta, Manager, Financial Reporting & Compliance

F. 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. Internal Audit Function

Lions Clubs International and Lions Clubs International Foundation (LCI and LCIF) support Internal Audit as an independent appraisal function to examine and evaluate the LCI and LCIF's activities as a service to management. The objective of internal audit is to assist the Audit Committee in the effective discharge of their responsibilities.

- a. LCI and LCIF will identify critical processes within their areas every three years. The results of this assessment will form the basis of a three year internal audit plan. The Audit Committee must approve any changes to this internal audit plan. The Audit Committee will review and approve the budget and staffing necessary to perform the internal audits.
- b. Each critical process would be evaluated based on financial impact, impact to clubs and districts, and regulatory compliance. A rating scale of one (1) to five (5), with five being the most critical, will be utilized with an overall score assigned to each process.
- c. The Audit Committee is responsible for determining which processes are reviewed annually based on the processes with the highest impacts to the association. The number of processes reviewed during a fiscal year would consider internal resources, as well as budget for external resources.

- d. Staff is responsible for process mapping, including identifying all of the steps, evaluating control points and identifying initial operational improvements.
- e. The independent auditor will review the critical processes and related documentation prepared by staff. The review may be included within the scope of the audit of the financial statements, or an agreed-upon procedures engagement.
- f. A written audit report will be prepared and issued by the independent auditor following the conclusion of each review and will be addressed and distributed to the Audit Committee and Executive Director. The final report should include significant findings and recommendations, where appropriate. The manager of the activity or department receiving the report will respond to any recommendations and the responses will be included in the finalized report. Staff will be responsible for responding in a timely manner to any recommendations.

3. **Accounting Operations for International Conventions**

International Convention financial operations shall be based on the following distributions of income and expense:

- a. Income shall be registration fees, complimentary room credits and exhibit space receipts.
 - b. Expenses shall be all those expenses under the heading “Operations at Convention” presently shown in Convention Operations, excluding District Governors-Elect expense and expenses of Officers, Directors and others serving on Board Committees. Postage costs in mailing out registration and housing certificates, as well as overtime of employees at the Convention, shall also be charged to “Operations at Convention.”
 - c. Convention Division Administration expense shall be charged to the General Fund under Administrative Divisions in Headquarters.
 - d. No investment income shall be allocated to Convention Operations and no Convention Reserve shall be retained. Any surplus, on a respective Convention shall accrue to the General Fund net worth, and any deficit on a respective Convention shall be funded from the General Fund net worth.
4. **Lion Magazine** budget shall be charged with an allocation of Headquarters costs as approved by the Board in each annual budget.
5. **Total expense** for Convention film, speakers, and press and publicity shall be transferred to the budget of the Public Relations and Communications Division.

6. **The Club Supplies and Distribution** budget shall be charged with an allocation of Headquarters costs as approved by the Board in each annual budget.

7. **Balance Sheet to all Members**

A one page condensed balance sheet shall go forward to each member once a year after the close of the fiscal year (June 30) as part of the association's revenue and expense report, which is printed in all editions of Lion Magazine.

8. **Alternate Billing of Semi-annual Subscription Including Tax**

Whenever it is to the Association's benefit, the Treasurer shall be and hereby is authorized and empowered to bill Lions Clubs for individual Lion member semi-annual subscriptions to Lion Magazine including tax, in billing form acceptable to the Executive Director, Treasurer and the Association's General Counsel.

9. **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.

10. **Carrying Charge on Merchandise and District Accounts**

From and after January 1, 1992 a carrying charge of 1% per month (12% annually), not to exceed the maximum amount permitted by law, may be levied on all miscellaneous club supply and district accounts receivable (non club accounts) sixty (60) days or more past due in the United States and ninety (90) days or more past due outside the United States.

An administrative officer may have the power to waive the carrying charge on district and miscellaneous merchandise accounts when there are circumstances which, in the officer's opinion, would warrant cancellation of the charge.

11. **Carrying Charge on Club Accounts**

From and after October 1, 1992 a carrying charge of 1% per month, not to exceed the maximum amount permitted by law, may be levied on all club account balances sixty (60) days or more past due in the United States and ninety (90) days or more past due outside the United States.

An administrative officer may have the power to waive the carrying charge on club accounts when there are circumstances which, in the officer's opinion, would warrant cancellation of the charge.

12. 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.

G. BUDGET PROCEDURES

1. Budget Preparation

- 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, the division managers shall present the proposed expense budgets for their divisions to the Committee.
- c. The Finance and Headquarters Operation Committee will review five-year budgeted projections annually at the October/November 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.

- 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 expenditures, 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 Association General Fund Reserves/ Annual Spending Policy, as attached as Exhibit A.
- e. The Treasurer shall provide a copy of the proposed final budget to each member of the international board at least two weeks prior to the date of the board meeting at which such proposed budget is to be considered.
- f. The Treasurer shall provide a copy of the preliminary budget and quarterly forecasts to the Finance and Headquarters Operation Committee at least two weeks prior to the date of the board meeting at which such preliminary and/or forecasts will be considered. The financials will be presented in an annual and the most recent quarterly report.

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. This forecast will reflect expenses equal to or less than revenues. The Committee shall submit a recommended full year forecast for review at the January Executive Committee meeting.
- b. All proposals to the board that have an impact on the forecast shall be reviewed with the Committee. All proposals shall include the projected costs for the current fiscal year as well as the subsequent two years.
- 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 the cash flow projection is negative, the Finance and Headquarters Operation Committee will recommend spending controls for approval by the board.

3. Future Board Meeting Budget

The second vice president shall submit to the board of directors for approval at the March/ April board meeting a detailed budget for the two regular meetings of the board, the time and place of which are to be called by him/her.

4. Budgeting and Write-off for Capital Equipment

Capital assets generally include property, plant and equipment assets having an estimated useful life of at least two (2) years following date of acquisition and a cost of at least \$3,000.

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

1. Transfer of Association Funds – Empowering Resolution

BE IT RESOLVED, That the Executive Director, the Secretary and the Treasurer 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 monthly 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 Director 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 Director 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 Untransferable Funds

Financial statements shall be prepared in such a way to properly reflect the potential loss of untransferable 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.

Purpose

Establish spending guidelines to maintain sufficient reserves in the General Fund while supporting current operations.

Policy

Maximum annual spending from the General Fund investments will be equal to the net investment income plus a five-year weighted average of capital appreciation (amount not to be less than zero), subject to the maintenance of a minimum reserve requirement.

Definitions

Minimum Reserve Requirement – Amounts included in General Fund investments include six months of current year projected expenses, plus unfunded obligations for pension, post-retirement benefits, general liabilities, plus target budget for the centennial celebration accrued on a straight line basis through fiscal year 2015-2016.

Six months of current year projected operating expenses – 50% of forecast operating expenses as provided in the approved quarterly forecast.

Unfunded obligations for pension, post-retirement benefits, and general liabilities – Book value of accrued pension, post-retirement benefits and general liabilities as reported in the December financials.

Centennial Celebration Target Budget – Centennial celebration budget as reported to the board in the approved minutes.

Net Investment Income – Interest plus dividends, less related expenses as reported on a calendar year basis.

Capital Appreciation – Realized and unrealized appreciation on General Fund Investments as reported on a calendar year basis.

Weighted Average – The weighted average will be calculated as follows:

- Most recent calendar year multiplied by 5
- First prior calendar year multiplied by 4
- Second prior calendar year multiplied by 3
- Third prior calendar year multiplied by 2
- Fourth prior calendar year multiplied by 1

The sum total of the above will be divided by 15 to determine the amount of the capital appreciation.

Procedures

The Finance and Headquarters Operation Committee will review the proposed budget cash flow at the March/April board meeting. In the event that the amount projected is a use of cash, the committee will determine if the maximum annual expenditures from the General Fund investments as calculated above will provide the necessary cash to support operations and unfunded obligations. If necessary the committee will request a revised budget be presented at the June board meeting that includes no more than the maximum annual expenditures from the General Fund investments to support the final approval budget.