

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
JUNE 30, 2011 AND 2010**

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors
The International Association of Lions Clubs

We have audited the accompanying statements of financial position of The International Association of Lions Clubs (the "Association") as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The International Association of Lions Clubs as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Grant Thornton LLP".

Chicago, Illinois
October 10, 2011

**The International Association of Lions Clubs
STATEMENTS OF FINANCIAL POSITION
June 30,**

ASSETS	2011			2010		
	General Fund	Emergency Reserve Fund	Total	General Fund	Emergency Reserve Fund	Total
CURRENT ASSETS						
Cash and cash equivalents	\$ 28,425,328	\$ -	\$ 28,425,328	\$ 22,674,649	\$ -	\$ 22,674,649
Accounts receivable, net of allowance for doubtful accounts of \$805,775 in 2011 and \$1,059,492 in 2010	476,077	-	476,077	1,460,417	-	1,460,417
Accrued interest receivable	136,715	47,712	184,427	129,161	41,678	170,839
Inventory, net of reserve of \$82,133 in 2011 and \$82,205 in 2010	756,233	-	756,233	1,185,954	-	1,185,954
Prepaid expenses and deposits	2,459,011	-	2,459,011	1,361,247	-	1,361,247
Interfund (payable) receivable	<u>(14,241,735)</u>	<u>14,241,735</u>	<u>-</u>	<u>(14,290,274)</u>	<u>14,290,274</u>	<u>-</u>
Total current assets	18,011,629	14,289,447	32,301,076	12,521,154	14,331,952	26,853,106
INVESTMENTS	75,690,535	45,734,621	121,425,156	65,808,662	37,927,238	103,735,900
PROPERTY AND EQUIPMENT						
Land	1,000,000	-	1,000,000	1,000,000	-	1,000,000
Building and improvements	13,066,873	-	13,066,873	13,066,873	-	13,066,873
Furniture and equipment	26,734,244	-	26,734,244	26,415,624	-	26,415,624
Construction in progress	<u>743,493</u>	<u>-</u>	<u>743,493</u>	<u>299,709</u>	<u>-</u>	<u>299,709</u>
Total property and equipment	41,544,610	-	41,544,610	40,782,206	-	40,782,206
Less accumulated depreciation	<u>34,829,519</u>	<u>-</u>	<u>34,829,519</u>	<u>33,292,695</u>	<u>-</u>	<u>33,292,695</u>
Property and equipment, net	<u>6,715,091</u>	<u>-</u>	<u>6,715,091</u>	<u>7,489,511</u>	<u>-</u>	<u>7,489,511</u>
TOTAL ASSETS	<u>\$100,417,255</u>	<u>\$60,024,068</u>	<u>\$160,441,323</u>	<u>\$ 85,819,327</u>	<u>\$52,259,190</u>	<u>\$138,078,517</u>

The accompanying notes are an integral part of these statements.

The International Association of Lions Clubs
STATEMENTS OF FINANCIAL POSITION - CONTINUED
June 30,

LIABILITIES AND NET ASSETS	2011			2010		
	General Fund	Emergency Reserve Fund	Total	General Fund	Emergency Reserve Fund	Total
CURRENT LIABILITIES						
Accounts payable	\$ 4,461,420	\$ -	\$ 4,461,420	\$ 3,556,609	\$ -	\$ 3,556,609
Accrued expenses	6,201,901	-	6,201,901	6,729,281	-	6,729,281
Accrued post-retirement benefits	282,124	-	282,124	297,229	-	297,229
Due to Lions Clubs International Foundation	<u>6,543,611</u>	<u>-</u>	<u>6,543,611</u>	<u>4,205,888</u>	<u>-</u>	<u>4,205,888</u>
Total current liabilities	17,489,056	-	17,489,056	14,789,007	-	14,789,007
NON-CURRENT LIABILITIES						
Self-insurance reserve	5,209,271	-	5,209,271	5,993,476	-	5,993,476
Accrued post-retirement benefits	1,424,223	-	1,424,223	1,475,224	-	1,475,224
Pension liability	15,109,028	-	15,109,028	19,144,582	-	19,144,582
Other non-current liabilities	<u>50,933</u>	<u>-</u>	<u>50,933</u>	<u>92,144</u>	<u>-</u>	<u>92,144</u>
Total non-current liabilities	<u>21,793,455</u>	<u>-</u>	<u>21,793,455</u>	<u>26,705,426</u>	<u>-</u>	<u>26,705,426</u>
Total liabilities	39,282,511	-	39,282,511	41,494,433	-	41,494,433
UNRESTRICTED NET ASSETS	<u>61,134,744</u>	<u>60,024,068</u>	<u>121,158,812</u>	<u>44,324,894</u>	<u>52,259,190</u>	<u>96,584,084</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$100,417,255</u>	<u>\$60,024,068</u>	<u>\$160,441,323</u>	<u>\$85,819,327</u>	<u>\$52,259,190</u>	<u>\$138,078,517</u>

The accompanying notes are an integral part of these statements.

The International Association of Lions Clubs
STATEMENTS OF ACTIVITIES
Years ended June 30,

	2011			2010		
	General Fund	Emergency Reserve Fund	Total	General Fund	Emergency Reserve Fund	Total
Changes in unrestricted net assets						
Revenue, gains and other support						
Dues	\$44,392,772	\$ -	\$44,392,772	\$44,300,976	\$ -	\$44,300,976
Entrance fees	2,974,920	-	2,974,920	3,057,795	-	3,057,795
Charter fees	964,960	-	964,960	1,029,780	-	1,029,780
Merchandise sales, net of direct costs of \$2,210,525 in 2011 and \$2,123,495 in 2010	2,666,428	-	2,666,428	2,633,588	-	2,633,588
Magazine						
Subscriptions	6,150,455	-	6,150,455	6,091,078	-	6,091,078
Advertising	410,310	-	410,310	488,626	-	488,626
Miscellaneous	24,573	-	24,573	24,910	-	24,910
Total magazine	6,585,338	-	6,585,338	6,604,614	-	6,604,614
Convention						
Per capita tax	663,322	-	663,322	647,781	-	647,781
Registration fees	2,261,839	-	2,261,839	1,306,913	-	1,306,913
Complimentary and unredeemed housing deposits	128,231	-	128,231	83,073	-	83,073
Total convention	3,053,392	-	3,053,392	2,037,767	-	2,037,767
Leo Club income	620,243	-	620,243	613,153	-	613,153
Investment return	10,431,402	7,764,878	18,196,280	7,113,636	3,585,809	10,699,445
Licensing fees and royalties	454,223	-	454,223	578,322	-	578,322
Gains/(loss) on currency exchange	1,764,881	-	1,764,881	(655,082)	-	(655,082)
Other losses	(208,924)	-	(208,924)	(325,892)	-	(325,892)
Total revenue, gains and other support	73,699,635	7,764,878	81,464,513	66,988,657	3,585,809	70,574,466
Expenses						
Elected officers' travel and office						
International officers	1,852,885	-	1,852,885	1,977,717	-	1,977,717
International directors	547,837	-	547,837	539,178	-	539,178
Past officers and directors	596,438	-	596,438	552,534	-	552,534
Board, committee and other meetings	3,278,474	-	3,278,474	4,113,617	-	4,113,617
District governors and district governors-elect	7,697,558	-	7,697,558	8,452,698	-	8,452,698
Total elected officers' travel and office	13,973,192	-	13,973,192	15,635,744	-	15,635,744

The accompanying notes are an integral part of these statements.

The International Association of Lions Clubs
STATEMENTS OF ACTIVITIES - CONTINUED
Years ended June 30,

	2011			2010		
	General Fund	Emergency Reserve Fund	Total	General Fund	Emergency Reserve Fund	Total
Changes in unrestricted net assets - Continued						
Expenses - Continued						
Risk management	\$ 2,081,095	\$ -	\$ 2,081,095	\$ 2,046,393	\$ -	\$ 2,046,393
Administrative divisions						
Executive director	467,978	-	467,978	617,389	-	617,389
Treasurer and human resources	918,428	-	918,428	948,348	-	948,348
Facilities maintenance and services	1,627,572	-	1,627,572	1,660,676	-	1,660,676
Club supplies and distribution	3,424,857	-	3,424,857	3,775,866	-	3,775,866
Finance	2,187,662	-	2,187,662	2,181,033	-	2,181,033
Membership and extension	3,036,519	-	3,036,519	3,198,029	-	3,198,029
Non-US operations	1,420,833	-	1,420,833	1,434,085	-	1,434,085
District and club administration	2,972,017	-	2,972,017	2,982,513	-	2,982,513
Convention	1,478,066	-	1,478,066	1,459,340	-	1,459,340
Information technology	5,838,886	-	5,838,886	6,010,852	-	6,010,852
Service activities	1,625,033	-	1,625,033	1,244,064	-	1,244,064
Secretary and general counsel	687,917	-	687,917	615,105	-	615,105
Public relations and communications	3,730,577	-	3,730,577	3,849,646	-	3,849,646
LION Magazine	8,480,426	-	8,480,426	8,275,078	-	8,275,078
Leadership	2,515,213	-	2,515,213	2,375,496	-	2,375,496
Operation at convention	<u>2,623,151</u>	<u>-</u>	<u>2,623,151</u>	<u>3,129,787</u>	<u>-</u>	<u>3,129,787</u>
Total administrative divisions	43,035,135	-	43,035,135	43,757,307	-	43,757,307
Provision for doubtful accounts	<u>492,000</u>	<u>-</u>	<u>492,000</u>	<u>40,000</u>	<u>-</u>	<u>40,000</u>
Total expenses	<u>59,581,422</u>	<u>-</u>	<u>59,581,422</u>	<u>61,479,444</u>	<u>-</u>	<u>61,479,444</u>
Change in net assets before pension and post-retirement liability adjustment	14,118,213	7,764,878	21,883,091	5,509,213	3,585,809	9,095,022
Pension and post-retirement liability adjustment	<u>2,691,637</u>	<u>-</u>	<u>2,691,637</u>	<u>(2,262,697)</u>	<u>-</u>	<u>(2,262,697)</u>
CHANGE IN UNRESTRICTED NET ASSETS	16,809,850	7,764,878	24,574,728	3,246,516	3,585,809	6,832,325
Unrestricted net assets at beginning of year	<u>44,324,894</u>	<u>52,259,190</u>	<u>96,584,084</u>	<u>41,078,378</u>	<u>48,673,381</u>	<u>89,751,759</u>
Unrestricted net assets at end of year	<u>\$61,134,744</u>	<u>\$60,024,068</u>	<u>\$121,158,812</u>	<u>\$44,324,894</u>	<u>\$52,259,190</u>	<u>\$96,584,084</u>

The accompanying notes are an integral part of these statements.

The International Association of Lions Clubs
STATEMENTS OF CASH FLOWS
Years ended June 30,

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Change in net assets	\$24,574,728	\$ 6,832,325
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Pension and post-retirement liability adjustment	(2,691,637)	2,262,697
Depreciation and amortization	1,536,824	2,080,819
Net realized and unrealized gains on investments	(14,224,485)	(7,594,119)
Provision for doubtful accounts	492,000	40,000
Changes in operating assets and liabilities		
Accounts receivable	492,340	(627,644)
Accrued interest receivable	(13,588)	42,566
Inventories, prepaid expenses and deposits Due to Lions Clubs International Foundation	(668,043)	367,291
Accounts payable and accrued expenses	2,337,723	3,906,106
Self-insurance reserve	377,431	517,456
Accrued post-retirement benefits	(784,205)	(573,279)
Pension liability	(231,940)	(305,043)
Other non-current liabilities	(1,178,083)	(2,276,733)
	<u>(41,211)</u>	<u>(41,035)</u>
Net cash provided by operating activities	9,977,854	4,631,407
Cash flows from investing activities		
Change in investments	(3,464,771)	(2,706,961)
Purchases of property and equipment	<u>(762,404)</u>	<u>(578,348)</u>
Net cash used in investing activities	<u>(4,227,175)</u>	<u>(3,285,309)</u>
Increase in cash and cash equivalents	5,750,679	1,346,098
Cash and cash equivalents at beginning of year	<u>22,674,649</u>	<u>21,328,551</u>
Cash and cash equivalents at end of year	<u>\$28,425,328</u>	<u>\$22,674,649</u>

The accompanying notes are an integral part of these statements.

The International Association of Lions Clubs
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE A - ORGANIZATION AND RELATED-PARTY DATA

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

The financial statements include the accounts of the administrative organization of the Association. The accounts of individual Lions Clubs operated by local club organizations are excluded due to their independent activities. The Lions Clubs International Foundation (the "Foundation"), an affiliated not-for-profit corporation, is administered by a Board of Trustees consisting of the Board of Directors of the Association, plus two trustees appointed by the president of the Association. The financial statements of the Foundation are not included herein, because the Association does not have an economic interest in the Foundation.

The Association and the Foundation administer transactions on behalf of each other. The balances resulting from these transactions are settled periodically. As of June 30, 2011 and 2010, the Association had payables of \$6,543,611 and \$4,205,888, respectively, for such transactions. In addition, the Association allocates cost to the Foundation for the cost of operating and maintaining facilities, general administration and general expenses, such as salaries and expenses of employees. The Association charged the Foundation \$1,846,020 and \$2,607,528 in 2011 and 2010, respectively, for such costs and services. These amounts are reflected in the statements of activities as a reduction of the appropriate expense categories.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

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

Financial Structure

The Association's finances are structured into two funds: General Fund and Emergency Reserve Fund.

General Fund

Member dues, charter and entrance fees, club supply sales and other revenues are included in the General Fund and used for general Association operations.

Emergency Reserve Fund

The Emergency Reserve Fund consists primarily of long-term investments. The Association's constitution requires that the Emergency Reserve Fund have a minimum balance of at least 60% of the prior year's total expense. Any funds in excess of 70% of the prior year's expense are transferred to the General Fund.

The International Association of Lions Clubs
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2011 and 2010

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Dues, Subscriptions and Convention

Dues, subscription and convention revenues are recognized in the membership year to which they relate.

Investments

Investments consist of cash held for investment purposes, money market funds, mutual funds, equity securities, exchange-traded funds, commingled trust funds and hedge funds. The Association records all investments at fair value, with the exception of cash and money market funds, which are valued at cost. These investments are presented in the statements of financial position and investment returns (including realized and unrealized gains and losses on investments, interest and dividends) are included in the statements of activities. Fair values of mutual funds and equity securities are based on quoted market prices. Exchange-traded funds, commingled trust funds and hedge funds are recorded at net asset value ("NAV"), or its equivalent.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits with banks, short-term investments and other securities with maturities not in excess of three months when purchased. The Association maintains foreign and domestic cash accounts, the majority of which exceed the Federal Deposit Insured Corporation's insured limitations. The Association believes it is not exposed to significant credit risk on cash and cash equivalents.

Receivables

Accounts receivable represents billings for dues, subscriptions and merchandise sales net of allowance for doubtful accounts. The allowance for doubtful accounts represents the Association'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 the payment terms are considered to be past due.

Inventories

Inventories, consisting of merchandise for sale to individual Lions Clubs, are stated at the lower of cost (average cost) or market.

Property and Equipment

Property and equipment are recorded at cost. Depreciation and amortization of property and equipment are determined using the straight-line method over the estimated useful lives of the related assets ranging between 3 and 45 years.

Reclassification

Certain amounts in the 2010 financial statements have been reclassified to conform to the 2011 presentation.

The International Association of Lions Clubs
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2011 and 2010

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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. Also included in Level 2 are investments measured using a NAV per share, or its equivalent, that may be redeemed at that NAV at or near the reporting date.

Level 3 - Significant unobservable inputs that are significant to the fair value of the assets or liabilities. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that cannot be redeemed at NAV at or near the reporting date, or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

Financial instruments with values that are based on quoted market prices in active markets, and are therefore classified within Level 1, include actively listed equities and mutual funds. The Association does not adjust the quoted price for such instruments, even in situations where the Association holds a large position and a sale could reasonably impact the quoted price.

Financial instruments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include commingled trust funds and exchange traded funds.

Financial instruments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include hedge fund investments. The inputs used by the Association in estimating the value of Level 3 investments include the original transaction price and recent transactions in the same or similar instruments. Assumptions used by the Association due to the lack of observable inputs may significantly impact the resulting fair value and therefore the Association's results of operations.

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.

Income Taxes

The Association has received a determination letter from the Internal Revenue Service ("IRS"), stating that it is an exempt organization under Section 501(c)(4) of the Internal Revenue Code and, accordingly, is not subject to Federal income taxes on its related activities. In accordance with IRS standards, the Association files a Form 990-T for unrelated business income from investments and advertising revenue. Currently, there is no related Federal tax liability. The tax years ending in 2007, 2008, and 2009 are still open to audit for both Federal and state purposes.

The International Association of Lions Clubs
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2011 and 2010

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Accounting Pronouncements

Fair Value Measurements and Disclosures

In January 2010, the FASB issued ASU 2010-06, "Improving Disclosures about Fair Value Measurements," which clarifies and requires new disclosures about fair value measurements. The guidance requiring disclosure of the amounts and reasons for significant transfers between Level 1 and Level 2, as well as significant transfers in and out of Level 3 of the fair value hierarchy, were adopted by the Association for the year ended June 30, 2011.

NOTE C - RESTRICTED CASH

At June 30, 2011 and 2010, \$10,705,988 and \$7,945,298, respectively, of cash was government restricted for use in the countries in which such funds were deposited.

NOTE D - INVESTMENTS

The following table summarizes the fair value classification of investments as of June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$25,762,511	\$ -	\$ -	\$ 25,762,511
Equity securities	30,192,998	-	-	30,192,998
Exchange-traded funds	-	378,130	-	378,130
Commingled trust funds	-	52,982,568	-	52,982,568
Hedge funds	-	-	<u>9,312,609</u>	<u>9,312,609</u>
Total	<u>\$55,955,509</u>	<u>\$53,360,698</u>	<u>\$9,312,609</u>	<u>\$118,628,816</u>

The following table summarizes the fair value classification of investments as of June 30, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$12,852,757	\$ -	\$ -	\$12,852,757
Equity securities	20,166,036	-	-	20,166,036
Exchange-traded funds	-	225,886	-	225,886
Commingled trust funds	-	46,277,979	-	46,277,979
Hedge funds	-	-	<u>9,199,641</u>	<u>9,199,641</u>
Total	<u>\$33,018,793</u>	<u>\$46,503,865</u>	<u>\$9,199,641</u>	<u>\$88,722,299</u>

The International Association of Lions Clubs
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2011 and 2010

NOTE D - INVESTMENTS - Continued

Investments as presented in the accompanying statements of financial position include cash and money market funds totaling \$2,796,340 and \$15,013,601 as of June 30, 2011 and 2010, respectively.

The following table summarizes the changes in fair values associated with Level 3 assets:

	<u>Hedge funds</u>
Balance as of June 30, 2009	\$7,621,996
Purchases	1,800,000
Realized losses	<u>(222,355)</u>
Balance as of June 30, 2010	9,199,641
Unrealized gains	<u>112,968</u>
Balance as of June 30, 2011	<u>\$9,312,609</u>

All net realized and unrealized gains in the table above are reflected in the accompanying statements of activities.

The following provides additional information about investments recorded at NAV at June 30, 2011.

Exchange-traded funds consist of an actively managed portfolio of exchange traded funds (“ETFs”) that focus on China. It includes direct exposure to China through ETFs investing in Chinese based companies and indirect exposure through investments in single-country ETFs of China’s top trading partners and commodity-related ETFs that may benefit from China’s demand for raw materials.

Commingled funds include investments in real estate and fixed income. Real estate consists of a global portfolio of Real Estate Investment Trusts and other publicly traded real estate companies worldwide. The fixed income fund invests primarily in a diversified portfolio of intermediate and long-term debt securities. The NAV of the funds are calculated by the investment manager of the fund and have daily or monthly liquidity.

Hedge funds consist of fund-of-fund structures investing in both long/short equity and multi-strategy. Long/short equity funds take long and short stock positions primarily in U.S. common stocks. Investments include restrictions that do not allow for redemption in the first year due to the lock-up period. Thereafter, an annual redemption at December 31 with a 100-day written notice is allowed. The Association would then receive 90% of the redeemed amount in 30 days with 5% to follow in February and the remaining 5% after the audit is completed. Beginning in 2011 shareholders may redeem up to 25% of the net asset value at June 30 with a 100 days written notice.

The multi-strategy hedge fund invests in diversified strategies, including managed futures, merger arbitrage, commodities, etc. The fund has a one year lock-up on new capital. Thereafter, quarterly redemption is allowed with a 95-day written notice prior to quarter end. The Association would then receive 90% within 45 days of the quarter end with the remaining 10% paid after the audit is completed.

The International Association of Lions Clubs
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2011 and 2010

NOTE D - INVESTMENTS - Continued

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

	<u>2011</u>	<u>2010</u>
Dividends and interest	\$ 3,971,795	\$ 3,105,326
Net realized and unrealized gains	<u>14,224,485</u>	<u>7,594,119</u>
Total investment return	<u>\$18,196,280</u>	<u>\$10,699,445</u>

NOTE E - PENSION AND OTHER BENEFIT PLANS

The Association sponsors a non-contributory, defined benefit pension plan (the "Plan") for employees that meet age and service requirements. Benefits are provided based on years of service and compensation. In addition, the Association provides retiree health and life insurance for eligible retirees.

The amounts of contributions and benefits paid from the plans for the years ended June 30 are as follows:

	<u>Pension benefits</u>		<u>Post-retirement benefits</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Benefit cost	\$ 2,541,917	\$ 2,978,651	\$ 32,298	\$ (76,918)
Contributions	3,720,000	5,255,384	317,998	282,762
Benefits paid	(3,225,895)	(2,980,903)	(317,998)	(282,762)

Funded status as of June 30 is as follows:

	<u>Pension benefits</u>		<u>Post-retirement benefits</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Benefit obligation	\$ 59,472,721	\$ 58,093,547	\$ 1,706,347	\$ 1,772,453
Fair value of plan assets	<u>44,363,693</u>	<u>38,948,965</u>	-	-
Funded status	<u>\$(15,109,028)</u>	<u>\$(19,144,582)</u>	<u>\$(1,706,347)</u>	<u>\$(1,772,453)</u>

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

	<u>Pension benefits</u>		<u>Post-retirement benefits</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current liabilities	\$ -	\$ -	\$ 282,124	\$ 297,229
Non-current liabilities	15,109,028	19,144,582	1,424,223	1,475,224

The International Association of Lions Clubs
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2011 and 2010

NOTE E - PENSION AND OTHER BENEFIT PLANS - Continued

Items not yet recognized as a component of net periodic pension cost as of June 30, 2011 and 2010, consist of the following:

	Pension benefits		Post-retirement benefits	
	2011	2010	2011	2010
Unrecognized actuarial loss	\$19,978,345	\$22,950,445	\$567,106	\$ 553,067
Unrecognized prior service credit	<u>(877,200)</u>	<u>(991,829)</u>	<u>-</u>	<u>(151,795)</u>
	<u>\$19,101,145</u>	<u>\$21,958,616</u>	<u>\$567,106</u>	<u>\$ 401,272</u>

Amounts recognized in the pension and post-retirement liability adjustment for the years ended June 30 consist of the following:

	Pension benefits		Post-retirement benefits	
	2011	2010	2011	2010
Unrecognized actuarial loss (gain) arising during the year	\$(1,427,790)	\$ 3,311,603	\$109,952	\$(16,507)
Amortization of unrecognized actuarial loss	(1,544,310)	(1,337,027)	(95,913)	(98,231)
Amortization of unrecognized prior service credit	<u>114,629</u>	<u>114,629</u>	<u>151,795</u>	<u>288,230</u>
	<u>\$(2,857,471)</u>	<u>\$ 2,089,205</u>	<u>\$165,834</u>	<u>\$173,492</u>

The estimated net loss and prior service credit for the defined benefit pension plan that will be amortized into net periodic benefit cost over the next fiscal year are \$1,274,243 and \$114,629, respectively. The estimated net loss and prior service credit for the other defined benefit post-retirement plans that will be amortized into net periodic benefit cost over the next fiscal year is \$110,438 and \$0, respectively.

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

	Pension benefits		Post-retirement benefits	
	2011	2010	2011	2010
Discount rate	5.30%	5.30%	4.85%	4.80%
Expected long-term return on plan assets	8.00	8.00	N/A	N/A
Rate of compensation increase	4.00	4.00	N/A	N/A

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

The International Association of Lions Clubs
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2011 and 2010

NOTE E - PENSION AND OTHER BENEFIT PLANS - Continued

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

	Percentage of plan assets		Target allocations	
	2011	2010	2011	2010
Fixed income	34%	37%	35%	35%
Equity securities	56	54	57	54
Real estate	2	3	-	3
Hedge funds	<u>8</u>	<u>6</u>	<u>8</u>	<u>8</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

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

Cash equivalent investments are to accommodate monthly benefit payouts and are held in money market funds. These funds are valued based on quoted market prices for identical instruments in active markets. Plan assets to be held in cash reserves may range between one and six months of anticipated amount of monthly benefit payouts. Cash represents less than 1% of the total portfolio.

Mutual funds include small cap funds, international equity funds, international fixed income bond funds and real estate and are valued based on quoted prices for identical instruments in active markets.

Equity securities are comprised primarily of large cap equity securities and are valued based on quoted prices for identical instruments in active markets.

Commingled funds include investments in fixed income and a guaranteed deposit account ("GDA"). The fixed income fund invests primarily in a diversified portfolio of intermediate and long-term debt securities. The NAV of the funds are calculated by the investment manager of the fund and have daily or monthly liquidity. The GDA declares interest rates in advance for six-month periods. In determining the rate of interest to be guaranteed for the upcoming six-month period, the manager considers the projected investment earnings, the current interest environment, its investment expense, and a profit and risk component for the six-month period. The GDA fund does have penalties for early withdrawals.

Hedge funds consist of fund-of-fund structures investing in long/short equity. Long/short equity funds take long and short stock positions primarily in U.S. common stocks. Investments include restrictions that do not allow for redemption in the first year due to the lock-up period. Thereafter, an annual redemption at December 31 with a 100 day written notice is allowed. The Association would then receive 90% of the redeemed amount in 30 days with 5% to follow in February and the remaining 5% after the audit is completed. Beginning in 2011 shareholders may redeem up to 25% of the net asset value at June 30 with a 100 days written notice.

The International Association of Lions Clubs
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2011 and 2010

NOTE E - PENSION AND OTHER BENEFIT PLANS - Continued

The multi-strategy hedge fund invests in diversified strategies, including managed futures, merger arbitrage, commodities, etc. The fund has a one year lock-up on new capital. Thereafter, quarterly redemption is allowed with a 95-day written notice prior to quarter end. The Association would then receive 90% within 45 days of the quarter end with the remaining 10% paid after the audit is completed.

The following table summarizes the fair value classifications of the defined benefit plan as of June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$10,163,148	\$ -	\$ -	\$10,163,148
Equity securities	15,613,653	-	-	15,613,653
Commingled/separate funds	-	14,275,596	-	14,275,596
Hedge funds	<u>-</u>	<u>-</u>	<u>3,509,474</u>	<u>3,509,474</u>
Total	<u>\$25,776,801</u>	<u>\$14,275,596</u>	<u>\$3,509,474</u>	<u>\$43,561,871</u>

The defined benefit plan assets also include cash and money market funds totaling \$801,822 as of June 30, 2011.

The following table summarizes the fair value classifications of the defined benefit plan as of June 30, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$15,063,454	\$ -	\$ -	\$15,063,454
Commingled/separate funds	-	13,125,667	-	13,125,667
Hedge funds	<u>-</u>	<u>-</u>	<u>1,784,668</u>	<u>1,784,668</u>
Total	<u>\$15,063,454</u>	<u>\$13,125,667</u>	<u>\$1,784,668</u>	<u>\$29,973,789</u>

The defined benefit plan assets also include cash and money market funds totaling \$8,975,176 as of June 30, 2010.

The International Association of Lions Clubs
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2011 and 2010

NOTE E - PENSION AND OTHER BENEFIT PLANS - Continued

The following table summarizes the changes in fair values associated with Level 3 assets:

	<u>Hedge funds</u>
Balance as of June 30, 2009	\$ -
Purchases	2,000,000
Unrealized losses	<u>(215,332)</u>
Balance as of June 30, 2010	1,784,668
Purchases	1,724,443
Unrealized gains	<u>363</u>
Balance as of June 30, 2011	<u>\$3,509,474</u>

The Association's funding policy with respect to its pension plan is to contribute annually not less than the minimum required by applicable law and regulations. The Association expects to contribute approximately \$3,720,000 to its defined benefit pension plan during the 2012 fiscal year. The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the fiscal years ending June 30:

	<u>Pension benefits</u>	<u>Post-retirement benefits</u>
2012	\$ 3,360,320	\$282,124
2013	3,424,688	231,567
2014	3,476,203	171,929
2015	3,573,192	147,321
2016	3,697,491	101,789
2021	19,829,083	439,357

The Association also sponsors The International Association of Lions Clubs 401(k) plan, a contributory, defined contribution plan in which all employees are eligible to participate after 90 days of active employment. The Association will match the first 6% of employee contributions, excluding catch-up contributions, for eligible participants, as defined by the Plan. Participants are immediately 100% vested in all participant and matching contributions. The 401(k) match expense is \$467,420 and \$413,373 as of June 30, 2011 and 2010, respectively. The Association's post-retirement benefits are unfunded.

The International Association of Lions Clubs
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2011 and 2010

NOTE F - INSURANCE

The Association carries a broad range of insurance coverage for safeguarding of assets and members from certain risks including non-owned auto and general liability. The current program has a per occurrence deductible of \$1,000,000, with regard to non-owned auto and general liability claims, subject to an aggregate of \$7,500,000. The deductible reserve is approximately \$5,209,300 and \$5,993,500 as of June 30, 2011 and 2010, respectively.

NOTE G - LETTER OF CREDIT

The Association has an unused letter of credit in the amount of \$8,484,609 at June 30, 2011. The letter of credit was established for the benefit of the Association's insurers as collateral for payments made by the insurers on the deductible portion of claims. As security for the letter of credit, the Association has pledged assets held by a financial institution at June 30, 2011.

NOTE H - FUNCTIONAL EXPENSES

Expenses incurred for providing membership programs and services were approximately \$51,118,800 and \$53,370,500 in 2011 and 2010, respectively. Expenses incurred for management and general expenses were approximately \$8,462,700 and \$8,108,900 in 2011 and 2010, respectively.

NOTE I - SUBSEQUENT EVENTS

The Association evaluated its June 30, 2011 financial statements for subsequent events through October 10, 2011, the date the financial statements were available to be issued, and is not aware of any subsequent events that would require recognition or disclosure in the financial statements.