

**FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
LIONS CLUBS INTERNATIONAL FOUNDATION  
JUNE 30, 2008 AND 2007**

## CONTENTS

	<b>Page</b>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS.....	3
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION .....	4
STATEMENTS OF ACTIVITIES .....	5 - 6
STATEMENTS OF CASH FLOWS .....	7
NOTES TO FINANCIAL STATEMENTS .....	8 - 14



## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**Audit • Tax • Advisory**

**Grant Thornton LLP**

175 W Jackson Boulevard, 20th Floor  
Chicago, IL 60604-2687

T 312.856.0200

F 312.565.4719

[www.GrantThornton.com](http://www.GrantThornton.com)

Board of Trustees  
Lions Clubs International Foundation

We have audited the accompanying statements of financial position of Lions Clubs International Foundation (the "Foundation") as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation'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 audits 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 Foundation'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 Lions Clubs International Foundation as of June 30, 2008 and 2007, 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.

*Grant Thornton LLP*

Chicago, Illinois  
September 29, 2008

**Lions Clubs International Foundation**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30,**

<b>ASSETS</b>	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 28,011,123	\$ 12,977,052
Accounts receivable	154,075	263,937
Pledges receivable, net	16,807,697	5,027,711
Due from non-United States Lions Clubs districts	2,970,493	1,042,997
Due from The International Association of Lions Clubs	2,095,710	3,392,528
Accrued interest receivable	1,787,645	1,206,788
Inventory, net of reserve of \$239,345 in 2008 and \$388,048 in 2007	992,533	922,477
Investments	288,331,359	308,497,467
Property and equipment, net	1,873,061	2,756,188
Goodwill	943,839	982,755
Other assets	467,513	494,214
<b>TOTAL ASSETS</b>	<u><u>\$344,435,048</u></u>	<u><u>\$337,564,114</u></u>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 608,142	\$ -
Accrued expenses	20,910	14,972
Grants payable, net	55,198,569	49,730,943
Charitable gift annuities	319,194	250,307
Total liabilities	56,146,815	49,996,222
Net assets		
Unrestricted	169,790,436	215,042,603
Temporarily restricted	116,854,355	70,881,847
Permanently restricted	1,643,442	1,643,442
Total net assets	<u>288,288,233</u>	<u>287,567,892</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$344,435,048</u></u>	<u><u>\$337,564,114</u></u>

The accompanying notes are an integral part of these statements.

**Lions Clubs International Foundation**  
**STATEMENT OF ACTIVITIES**  
**Year ended June 30, 2008**

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue, gains and other support				
Contributions				
General	\$ 2,970,782	\$ 3,242,337	\$ -	\$ 6,213,119
Campaign Sight First II	-	72,253,231	-	72,253,231
Charitable gift annuity, net	-	(3,796)	-	(3,796)
Lions Quest, net	789,372	-	-	789,372
Investment return	(18,992,486)	-	-	(18,992,486)
Net gain on currency exchange	250,737	-	-	250,737
Net assets released from restrictions	29,519,264	(29,519,264)	-	-
<b>Total revenue, gains and other support</b>	<b>14,537,669</b>	<b>45,972,508</b>	<b>-</b>	<b>60,510,177</b>
Expenses and losses				
Program-related expenses				
Grants				
SightFirst, net of grants adjustments of \$1,258,965 and discount adjustment of \$413,611	23,218,016	-	-	23,218,016
Standard, net of grants adjustments of \$160,941	6,371,771	-	-	6,371,771
Core 4, net of grants adjustments of \$74,061 discount of \$35,710	3,595,653	-	-	3,595,653
Emergency, net of grants adjustments of \$134,524	1,790,476	-	-	1,790,476
International assistance, net of grants adjustments of \$13,592	375,637	-	-	375,637
Designated, net of grants adjustments of \$20,783	5,636,756	-	-	5,636,756
Major catastrophe	1,350,000	-	-	1,350,000
Humanitarian	200,000	-	-	200,000
Seed	29,840	-	-	29,840
Program services				
SightFirst	2,440,431	-	-	2,440,431
Lions Quest	1,247,966	-	-	1,247,966
Other	656,896	-	-	656,896
<b>Total program-related expenses</b>	<b>46,913,442</b>	<b>-</b>	<b>-</b>	<b>46,913,442</b>
Non-program-related expenses				
Administrative	4,472,462	-	-	4,472,462
Development	8,403,932	-	-	8,403,932
<b>Total non-program-related expenses</b>	<b>12,876,394</b>	<b>-</b>	<b>-</b>	<b>12,876,394</b>
<b>Total expenses and losses</b>	<b>59,789,836</b>	<b>-</b>	<b>-</b>	<b>59,789,836</b>
<b>CHANGE IN NET ASSETS</b>	<b>(45,252,167)</b>	<b>45,972,508</b>	<b>-</b>	<b>720,341</b>
Net assets at beginning of year	215,042,603	70,881,847	1,643,442	287,567,892
Net assets at end of year	<u>\$169,790,436</u>	<u>\$116,854,355</u>	<u>\$ 1,643,442</u>	<u>\$288,288,233</u>

The accompanying notes are an integral part of this statement.

**Lions Clubs International Foundation**  
**STATEMENT OF ACTIVITIES**  
**Year ended June 30, 2007**

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue, gains and other support				
Contributions				
General	\$ 3,895,861	\$ 589,396	\$ -	\$ 4,485,257
Campaign Sight First II	-	49,961,091	-	49,961,091
Charitable gift annuity, net	-	23,728	-	23,728
Lions Quest, net	863,559	-	-	863,559
Investment return	44,607,822	-	-	44,607,822
Net gain on currency exchange	27,767	-	-	27,767
Net assets released from restrictions	18,187,561	(18,187,561)	-	-
Total revenue, gains and other support	67,582,570	32,386,654	-	99,969,224
Expenses and losses				
Program-related expenses				
Grants				
SightFirst, net of grants adjustments of \$971,638 discount of \$1,408,032	15,217,110	-	-	15,217,110
Standard, net of grants adjustments of \$208,059	8,583,181	-	-	8,583,181
Core 4, net of grants adjustments of \$220,276 and discount of \$50,878	1,555,933	-	-	1,555,933
Emergency, net of grants adjustments of \$72,630	1,493,869	-	-	1,493,869
International assistance, net of grants adjustments of \$14,183	659,511	-	-	659,511
Designated, net of grants adjustments of \$15,721	4,506,052	-	-	4,506,052
Major catastrophe	100,000	-	-	100,000
Humanitarian	200,000	-	-	200,000
Major international service	209,500	-	-	209,500
Program services				
SightFirst	2,164,979	-	-	2,164,979
Lions Quest	1,377,331	-	-	1,377,331
Other	519,021	-	-	519,021
Total program-related expenses	36,586,487	-	-	36,586,487
Non-program-related expenses				
Administrative	4,671,371	-	-	4,671,371
Development	8,971,073	-	-	8,971,073
Total non-program-related expenses	13,642,444	-	-	13,642,444
Total expenses and losses	50,228,931	-	-	50,228,931
<b>CHANGE IN NET ASSETS</b>	17,353,639	32,386,654	-	49,740,293
Net assets at beginning of year	197,688,964	38,495,193	1,643,442	237,827,599
Net assets at end of year	<u>\$ 215,042,603</u>	<u>\$70,881,847</u>	<u>\$ 1,643,442</u>	<u>\$ 287,567,892</u>

The accompanying notes are an integral part of this statement.

**Lions Clubs International Foundation**  
**STATEMENTS OF CASH FLOWS**  
**Years ended June 30,**

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Change in net assets	\$ 720,341	\$49,740,293
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	951,344	1,016,823
Net realized and unrealized (gains) losses on investments	35,354,314	(36,481,742)
Changes in operating assets and liabilities		
Accounts receivable	109,862	5,081
Net pledges receivable	(11,779,986)	(2,450,805)
Interest receivable	(580,857)	(101,164)
Due from non-United States Lions Clubs districts	(1,927,496)	(644,388)
Inventory	(70,056)	(325,697)
Accounts payable and accrued expenses	614,081	(12,825)
Grants payable	5,467,626	1,265,799
Charitable gift annuities	68,887	18,294
Due to/from The International Association of Lions Clubs	<u>1,296,818</u>	<u>(2,056,063)</u>
Net cash provided by operating activities	30,224,878	9,973,606
Cash flows from investing activities		
Change in investment cash	(15,188,207)	(6,541,507)
Net purchases of property, plant and equipment	<u>(2,600)</u>	<u>(41,882)</u>
Net cash used in investing activities	<u>(15,190,807)</u>	<u>(6,583,389)</u>
Increase in cash and cash equivalents	15,034,071	3,390,217
Cash and cash equivalents at beginning of year	<u>12,977,052</u>	<u>9,586,835</u>
Cash and cash equivalents at end of year	<u><u>\$28,011,123</u></u>	<u><u>\$12,977,052</u></u>

The accompanying notes are an integral part of these statements.

**Lions Clubs International Foundation**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008 and 2007**

---

**NOTE A - ORGANIZATION AND RELATED-PARTY DATA**

The Lions Clubs International Foundation (the "Foundation") was incorporated in the State of Illinois on June 12, 1968. The purpose of the Foundation is to provide for disaster relief, vocational assistance and humanitarian services throughout the world. The Foundation is administered by a Board of Trustees consisting of the Board of Directors of The International Association of Lions Clubs (the "Association"), an affiliated not-for-profit corporation, plus two trustees appointed by the president of the Association.

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, 2008 and 2007, the Foundation had a receivable of \$2,095,710 and \$3,392,528, 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 \$1,751,084 and \$1,775,660 in 2008 and 2007, 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 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.

*Temporarily and Permanently Restricted Net Assets*

Temporarily restricted net assets are assets whose use has been limited by donors to a specific time period or purpose. Assets released from restrictions are reported in the statement of activities as additions to unrestricted net assets. Earnings from temporarily restricted net assets are included in unrestricted revenue and support unless restricted by donor. Permanently restricted net assets consist of amounts held in perpetuity. Earnings on investments of the endowment funds are included in unrestricted revenue and support unless restricted by donors.

**Lions Clubs International Foundation**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2008 and 2007**

---

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

***Contributions***

All contributions are considered to be available for the general programs of the Foundation unless specifically restricted by the donor. Contributions are recorded at fair value at the date of the donation.

***Grants***

The Foundation records grant expense as an unconditional promise to give upon approval of the grant. Upon completion of a grant project, the Foundation recognizes any remaining liability as an adjustment of current-year grants expense in the statement of activities. Multi-year grants are discounted at a risk-free rate determined by the year in which they were approved.

***Investments***

Investments consist of fixed income securities, equity securities, cash and cash equivalents and alternatives, which include real estate funds and multi-manager hedge funds. The Foundation records all investments at fair value in the statement of financial position and investment returns (including realized and unrealized gains and losses on investments, interest and dividends) are included in the statement of activities. Fair values of fixed income and equity securities are based on quoted market prices. Alternative investments are recorded at the fair value of instruments with similar characteristic market prices.

***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.

***Donor-Restricted Gifts***

Unconditional promises to give cash and other assets are reported as either temporarily or permanently restricted net assets 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted gifts are reported as temporarily restricted even if the restrictions expire during the fiscal year in which the gift was received, and are then reclassified to unrestricted net assets. Unconditional pledges expected to be collected within one year are recorded at their net realizable value. Unconditional pledges expected to be collected in future years are recorded 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. Amortization of the discount is included in contribution revenue.

**Lions Clubs International Foundation**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2008 and 2007**

---

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

***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. The Foundation has internal-use software developed using both internal personnel and outside consultants. Certain costs related to directly obtaining, developing or upgrading internal-use software are capitalized. These costs are amortized using the straight-line method over five years.

***Goodwill and Intangible Assets***

Goodwill is amortized on a straight-line basis over 30 years. Intangible assets, principally trademarks and copyrights, are included in other assets and amortized on a straight-line basis over periods from 5 to 40 years.

***Income Taxes***

The Foundation has received a determination letter from the Internal Revenue Service stating that it is an exempt organization under Section 501(c)(3) and a public charity under Section 509(a)(1) of the Internal Revenue Code and, accordingly, is not subject to Federal income taxes on income related to its exempt purpose.

***Inventory***

Inventory, consisting of merchandise available for donor recognition and Lions Quest program support, is stated at the lower of cost (average cost) or market.

***Reclassification***

Certain amounts in the 2007 financial statements have been reclassified to conform to the 2008 presentation.

---

**NOTE C - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**

Temporarily restricted net assets include gifts of cash and other assets for which donor-imposed restrictions have not yet been met, and for which the ultimate purpose of the proceeds is not permanently restricted. At June 30, 2008 and 2007, temporarily restricted net assets, which primarily consist of the Campaign SightFirst II Program, totaled \$116,854,355 and \$70,881,847, respectively. Temporarily restricted net assets are donor-restricted for use in various programs of the Foundation.

**Lions Clubs International Foundation**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2008 and 2007**

---

**NOTE C - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS -**  
**Continued**

Permanently restricted net assets include gifts of cash and other assets, which require, 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. The Foundation's permanently restricted net assets consist of the following as of June 30:

	<u>2008</u>	<u>2007</u>
Baldrige endowment	\$ 500,000	\$ 500,000
Mayer endowment	481,250	481,250
Visotsky endowment	237,875	237,875
Graham endowment	115,149	115,149
Other	<u>309,168</u>	<u>309,168</u>
	<u>\$1,643,442</u>	<u>\$1,643,442</u>

---

**NOTE D - 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.

	<u>2008</u>	<u>2007</u>
Type of restriction		
Campaign SightFirst II	\$23,861,725	\$13,429,515
Other designated	<u>5,657,539</u>	<u>4,758,046</u>
	<u>\$29,519,264</u>	<u>\$18,187,561</u>

**Lions Clubs International Foundation**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2008 and 2007**

**NOTE E - ADMINISTRATIVE AND DEVELOPMENT EXPENSES**

Administrative and development expenses for the years ended June 30, 2008 and 2007, consisted of the following:

	<u>2008</u>	<u>2007</u>
Administrative		
Salaries and related costs	\$ 1,315,077	\$ 1,017,252
Allocation of headquarters' costs	761,846	771,034
Money management fees	1,189,538	1,824,976
Transportation and lodging	136,453	71,751
Publications and postage	12,615	18,085
Other	175,597	66,573
Depreciation	<u>881,336</u>	<u>901,700</u>
Total administrative	4,472,462	4,671,371
Development		
Donor recognition	2,396,968	1,864,847
Allocation of headquarters' costs	774,112	798,867
Publications and postage	117,159	732,827
Salaries and related costs	897,156	702,418
Advertising and public relations	417,918	332,293
Transportation and lodging	714,791	818,999
Fundraising	2,040,000	2,754,000
Other	<u>1,045,828</u>	966,822
Total development	<u>8,403,932</u>	<u>8,971,073</u>
Total administrative and development expenses	<u>\$12,876,394</u>	<u>\$13,642,444</u>

**NOTE F - PLEDGES RECEIVABLE, NET**

Unconditional promises to give are included in the financial statements as contributions receivable and revenue in the appropriate net asset category.

	<u>2008</u>	<u>2007</u>
Amounts due in		
Less than one year	\$ 5,121,701	\$1,545,512
One to five years	<u>18,062,285</u>	<u>4,994,363</u>
Pledges receivable, gross	23,183,986	6,539,875
Unamortized discount	(1,451,990)	(531,183)
Allowance for uncollectible pledges	<u>(4,924,299)</u>	<u>(980,981)</u>
Pledges receivable, net	<u>\$16,807,697</u>	<u>\$5,027,711</u>

**Lions Clubs International Foundation**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2008 and 2007**

---

**NOTE F - PLEDGES RECEIVABLE, NET - Continued**

As of June 30, 2008 and 2007, discount rates for pledges receivable ranged from 3.13% to 4.80%.

---

**NOTE G - MULTI-YEAR GRANTS PAYABLE**

Grant disbursements are made as the grantee meets applicable terms and conditions of the grant. Periodically, the Foundation enters into multi-year grant commitments. These multi-year grants generally cover a period of two to seven years. As of June 30, 2008 and 2007, grants are payable as follows:

	<u>2008</u>	<u>2007</u>
Amounts payable in		
Less than one year	\$45,632,635	\$39,464,531
One to five years	<u>10,646,943</u>	<u>11,725,322</u>
Grants payable, gross	56,279,578	51,189,853
Unamortized discount	<u>(1,081,009)</u>	<u>(1,458,910)</u>
Grants payable, net	<u>\$55,198,569</u>	<u>\$49,730,943</u>

As of June 30, 2008 and 2007, discount rates for grants payable ranged from 3.13% to 4.80%.

---

**NOTE H - INVESTMENTS**

The fair value of investments held by the Foundation is summarized as follows at June 30:

	<u>2008</u>	<u>2007</u>
Fixed income	\$ 61,144,919	\$ 63,688,182
Equities	172,312,307	211,496,139
Alternatives	54,560,618	23,253,370
Cash and cash equivalents	<u>313,515</u>	<u>10,059,776</u>
Total investments	<u>\$288,331,359</u>	<u>\$308,497,467</u>

**Lions Clubs International Foundation**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2008 and 2007**

---

**NOTE H - INVESTMENTS - Continued**

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

	<u>2008</u>	<u>2007</u>
Dividends and interest	\$ 16,361,828	\$ 8,126,080
Net realized and unrealized (losses) gains	<u>(35,354,314)</u>	<u>36,481,742</u>
Total investment return	<u>\$(18,992,486)</u>	<u>\$44,607,822</u>

---

**NOTE I - PROPERTY AND EQUIPMENT**

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

	<u>2008</u>	<u>2007</u>
Equipment	\$4,670,180	\$4,664,938
Construction in process	<u>666</u>	<u>3,309</u>
	4,670,846	4,668,247
Less accumulated depreciation	<u>2,797,785</u>	<u>1,912,059</u>
	<u>1,873,061</u>	<u>2,756,188</u>
Depreciation expense	<u>\$ 885,726</u>	<u>\$ 912,057</u>

---

**NOTE J - COMMITMENTS**

The Foundation is obligated under certain investment agreements to advance additional funding periodically, up to specified levels. At June 30, 2008, the Foundation had unfunded commitments of approximately \$17,218,661. These amounts are not reflected in the financial statements.