

**THE INTERNATIONAL ASSOCIATION
OF LIONS CLUBS**

FINANCIAL STATEMENTS

June 30, 2023 and 2022

THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The International Association of Lions Clubs
Oak Brook, Illinois

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

We have audited the financial statements of The International Association of Lions Clubs (the "Association"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of June 30, 2023 and 2022, and the changes in its net assets and its 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 Association 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year from the date the financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 Association'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association'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

Oak Brook, Illinois
November 1, 2023

THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 25,246,887	\$ 26,792,993
Accounts receivable, net	1,139,885	230,818
Accrued investment income receivable	308,687	191,666
Inventory, net of reserve	1,290,171	746,410
Prepaid expenses and other assets	<u>1,984,673</u>	<u>1,832,280</u>
Total current assets	29,970,303	29,794,167
Investments	131,744,635	136,811,526
Restricted cash	5,176,509	5,553,564
Property and equipment		
Land	1,016,300	1,016,300
Building and improvements	19,791,462	18,921,260
Furniture and equipment	38,147,529	38,023,477
Capital assets in progress	<u>3,930,835</u>	<u>803,937</u>
Total property and equipment	62,886,126	58,764,974
Less accumulated depreciation	<u>(51,465,052)</u>	<u>(49,750,069)</u>
Property and equipment, net	<u>11,421,074</u>	<u>9,014,905</u>
	<u><u>\$ 178,312,521</u></u>	<u><u>\$ 181,174,162</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 6,330,971	\$ 3,593,783
Accrued expenses	8,647,863	8,457,459
Due to Lions Clubs International Foundation	3,656,230	5,979,591
Self-insurance reserve, current	<u>2,721,451</u>	<u>1,557,352</u>
Total current liabilities	21,356,515	19,588,185
Non-current liabilities		
Self-insurance reserve, non-current	2,304,696	3,948,656
Accrued pension benefits	103,522	2,728,019
Other non-current liabilities	<u>100,272</u>	<u>90,915</u>
Total non-current liabilities	2,508,490	6,767,590
Total liabilities	23,865,005	26,355,775
Net assets without donor restrictions	<u>154,447,516</u>	<u>154,818,387</u>
	<u><u>\$ 178,312,521</u></u>	<u><u>\$ 181,174,162</u></u>

The accompanying notes are an integral part of these statements.

THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
STATEMENTS OF ACTIVITIES
Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Changes in net assets without donor restrictions		
Operating revenue and gains		
Dues and fees		
Dues	\$ 55,044,363	\$ 56,073,498
Entrance fees	4,771,014	252
Charter fees	881,095	3,630
Leo Club levy	774,990	774,135
Less provision for doubtful accounts	(893,054)	(725,791)
Net dues and fees	<u>60,578,408</u>	<u>56,125,724</u>
Other revenue and gains		
Gross profit on merchandise sales, net of direct costs	1,374,063	1,358,664
Royalties, net	389,126	372,433
Convention registration and related fees	1,858,192	1,731,011
Advertising and miscellaneous magazine revenue	318	318
Contributions	8	-
Other gains	141,185	176,162
Total other revenue and gains	<u>3,762,892</u>	<u>3,638,588</u>
Total operating revenue and gains	64,341,300	59,764,312
Non-operating revenue and gains (losses)		
Investment return (loss), net of expenses	14,073,905	(22,256,521)
Loss on currency exchange	(3,323,698)	(2,933,381)
Net non-operating revenue and gains (losses)	<u>10,750,207</u>	<u>(25,189,902)</u>
Total revenue and gains	75,091,507	34,574,410
Expenses		
Elected officers' travel and office		
International officers	2,212,374	1,332,491
International directors	640,844	502,331
Past officers and directors	585,721	489,860
Board, committee and other meetings	5,570,428	3,704,060
District governors and district governors-elect	10,312,902	7,180,203
Total elected officers' travel and office	<u>19,322,269</u>	<u>13,208,945</u>

The accompanying notes are an integral part of these statements.

THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
STATEMENTS OF ACTIVITIES
Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Administrative divisions		
Executive administration	\$ 1,904,786	\$ 1,730,784
Treasurer	1,295,951	1,070,928
Facilities maintenance and services	2,003,809	2,158,179
Legal	826,308	808,155
Risk management	4,062,811	3,733,630
Club supplies and fulfillment	2,052,767	1,962,080
Finance	2,223,972	2,179,992
Information technology	7,522,463	7,956,856
District and club administration	4,014,859	3,806,440
Service activities	2,169,815	1,437,438
Marketing	6,103,740	5,409,648
LION Magazine	2,700,415	2,854,066
Operations at convention	7,987,532	5,783,782
Membership	3,273,322	2,864,699
Non-U.S. operations	1,146,827	1,519,216
Convention	1,707,638	1,139,157
Leadership development	3,933,760	3,080,451
Global Action Team	1,650,444	1,528,579
Member Service Center	1,583,384	1,549,267
Total administrative divisions	<u>58,164,603</u>	<u>52,573,347</u>
Total expenses	<u>77,486,872</u>	<u>65,782,292</u>
Change in net assets before change in value of pension plan	(2,395,365)	(31,207,882)
Change in pension plan valuation	<u>2,024,494</u>	<u>1,827,446</u>
Change in net assets without donor restrictions	(370,871)	(29,380,436)
Net assets without donor restrictions at beginning of year	<u>154,818,387</u>	<u>184,198,823</u>
Net assets without donor restrictions at end of year	<u><u>\$ 154,447,516</u></u>	<u><u>\$ 154,818,387</u></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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ (370,871)	\$ (29,380,436)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Pension and postretirement liability adjustment	(2,024,494)	(1,827,446)
Depreciation and amortization	1,714,983	1,947,192
Net realized and unrealized (gains) losses on investments	(11,060,309)	24,611,329
Provision for doubtful accounts	893,054	725,791
Changes in operating assets and liabilities		
Accounts receivable	(1,802,121)	(788,252)
Accrued investment income receivable	(117,021)	(10,006)
Inventories, prepaid expenses and other assets	(696,154)	168,843
Due to Lions Clubs International Foundation	(2,323,361)	98,833
Accounts payable and accrued expenses	2,927,592	3,387,193
Self-insurance reserve	(479,861)	180,042
Accrued pension benefits	(600,003)	(800,000)
Other non-current liabilities	9,357	81,584
Net cash used in operating activities	<u>(13,929,209)</u>	<u>(1,605,333)</u>
Cash flows from investing activities		
Proceeds from the sale of investments	71,753,111	41,432,372
Purchases of investments	(55,625,911)	(43,769,258)
Purchases of property and equipment	<u>(4,121,152)</u>	<u>(1,983,888)</u>
Net cash provided by (used in) investing activities	<u>12,006,048</u>	<u>(4,320,774)</u>
Change in cash, cash equivalents, and restricted cash	(1,923,161)	(5,926,107)
Cash, cash equivalents, and restricted cash, beginning of year	<u>32,346,557</u>	<u>38,272,664</u>
Cash, cash equivalents, and restricted cash, end of year	<u><u>\$ 30,423,396</u></u>	<u><u>\$ 32,346,557</u></u>

The accompanying notes are an integral part of these statements.

THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2023 and 2022

NOTE 1 - 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 statements are presented by division, with functional expense included at Note 10. The accounts of individual Lions Clubs operated by local club organizations are excluded due to their independent legal status and activities. The Lions Clubs International Foundation (the Foundation), an affiliated not-for-profit corporation, is administered by a 22-member Board of Trustees, which includes five voting and two non-voting members from the Board of Directors of the Association. The financial statements of the Foundation are not included herein because the Association does not have control over nor 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, 2023 and 2022, the Association had a payable of \$3,656,230 and \$5,979,591, respectively, for such transactions. In addition, the Association allocates costs 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 \$4,313,892 and \$4,466,683 in 2023 and 2022, respectively, for such costs and services. These amounts are reflected in the statements of activities as a reduction of the appropriate expense categories.

NOTE 2 - 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 (U.S. 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.

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. The Association does not have any net assets with donor restrictions.

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THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition:

Exchange Transactions

Membership dues are derived from services the Association provides to its members. The Leo Club levy is charged annually for each Leo Club sponsored by a Lions Club. Entrance fees are charged for new members in existing clubs while charter fees are charged for new members in new clubs. The Association recognizes revenue for membership services and Leo Club levy over the applicable membership period. Membership dues received in advance of services are reported as deferred revenue in the statement of financial position. Entrance and charter fees are recognized at the point in time when new members join an existing or new club, respectively.

Merchandise sales, royalties, advertising, and miscellaneous magazine revenue for other exchange transactions are recognized either at the point in time of delivery that a sale occurs or over time as services are rendered. Gross profit on merchandise sales is presented net of direct costs of \$1,435,600 and \$1,225,700 for the fiscal years ended June 30, 2023 and 2022, respectively.

Convention registration and related fees are recognized in the period to which it the convention is held. Revenue in advance of sales and services are reported as deferred revenue in the statement of financial position.

The Association's receivables represent unconditional rights to consideration from its contracts with its members and customers. Credit terms for customers are generally net 30 days. The Association carries its accounts receivable at cost less a possible allowance for doubtful accounts. Accounts that are outstanding longer than 120 days are considered past due. Accounts considered uncollectible are written off after 180 days. The allowance for doubtful accounts was approximately \$233,000 and \$240,000 as of June 30, 2023 and 2022, respectively. The Association does not charge interest on past due receivables.

The Associations contract liabilities of \$1,319,200 and \$802,200 as of June 30, 2023 and 2022, respectively, which are considered deferred revenue, are presented as accrued expenses in the statement of financial position. Deferred revenue in any period represents the excess of membership dues and other exchange transaction revenue received over amounts recognized as revenue on the statement of activities. The Association's membership programs have starting and ending dates that generally coincide with its fiscal year end. Therefore, at year end, deferred revenue represents revenue for future sales and services to be performed during the following fiscal year.

The Association had no costs that were capitalized to obtain or to fulfill a contract with a customer.

Contributions

Private gifts and grants that are not considered exchange transactions, including pledges, are recognized in the period received. 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. Contributions of assets other than cash are recorded at estimated fair value. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible pledges receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity. Verbal pledges are not recognized until the pledge is acknowledged by the donor in writing or when the contribution is physically received.

(Continued)

THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs: Advertising costs are expensed as incurred.

Allocation of Expenses: Overhead costs, such as executive salaries, accounting and other general and administrative expenses, incurred by various departments are allocated among the programs and supporting services benefited. The allocation is primarily based on salary expense and square footage.

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 Association maintains foreign and domestic cash accounts, the majority of which exceed the Federal Deposit Insurance Corporation's insured limitations. The Association believes it is not exposed to significant credit risk on cash and cash equivalents.

Investments: Investments consist of cash and cash equivalent held for investment purposes, mutual funds, publicly traded hedge funds, fixed income securities, and equity securities. The Association records all investments at fair value. These investments are presented in the statements of financial position and investment returns (including realized and unrealized gains and losses on investments and interest and dividends, net of management fees) are included in the statements 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 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.

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.

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.

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.

Inventories: Inventories, consisting of merchandise for sale to individual Lions Clubs, are stated at the lower of cost (average cost) or market. The inventory reserve is de minimus as of June 30, 2023 and 2022.

Reclassifications: Certain amounts in the prior year 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.

(Continued)

THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currency Exchange: The Association operates throughout the globe, and recognizes revenue and incurs expenses in foreign currency and converts it to U.S. dollar using exchange rates as of the date of the transaction. Foreign currency denominated cash deposits are translated into U.S. dollars using the exchange rates in effect at the statement of financial position date. The Association records its foreign currency net gain or net loss as an increase or decrease in net assets without donor restrictions.

Property and Equipment: The Association capitalizes any asset \$3,000 or greater. Property and equipment are recorded at cost. Depreciation of property and equipment is determined by using the straight-line method over the estimated useful lives of the related assets ranging between 3 and 45 years.

Long-lived Asset Impairment: The Association evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No impairments of long-lived assets were recognized for the years ended June 30, 2023 and 2022.

Recent Accounting Guidance: In February 2016, the FASB issued ASU 2016-02, *Leases*. This ASU affects any entity that enters into a lease, with some specified scope exemptions. The main difference between previous GAAP and this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2023. There was no impact from the implementation of this ASU.

Income Taxes: The Association 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)(4) 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 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 there are no material uncertain positions that require recognition in the financial statements. Additionally, no provision for income taxes is reflected, and there is no interest or penalties recognized in the statements of activities or statements of financial position.

NOTE 3 - RESTRICTED CASH

At June 30, 2023 and 2022, \$5,176,509 and \$5,553,564, respectively, of cash was government restricted for use in the countries in which such funds were deposited.

(Continued)

THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2023 and 2022

NOTE 4 - LIQUIDITY AND AVAILABILITY

The Associations' financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2023</u>	<u>2022</u>
Cash - non restricted	\$ 25,246,887	\$ 26,792,993
Investments	131,744,635	136,811,526
Accounts receivable	1,139,885	230,818
Accrued investment income	<u>308,687</u>	<u>191,666</u>
	<u>\$ 158,440,094</u>	<u>\$ 164,027,003</u>

As part of the Association's liquidity management, the Association invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Association has a committed letter of credit in the amount of \$8,643,779 which it could draw upon. The use of this line of credit is generally restricted to the extent that the Association is in need of liquidity to fund program-related obligations.

NOTE 5 - INVESTMENTS

The following table summarizes the fair value classification of investments as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 4,463,472	\$ -	\$ -	\$ 4,463,472
Hedge funds	13,010,786	-	-	13,010,786
Fixed income	26,116,459	-	-	26,116,459
Commodities	3,825,368	-	-	3,825,368
Equities	<u>84,328,550</u>	<u>-</u>	<u>-</u>	<u>84,328,550</u>
Total	<u>\$ 131,744,635</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,744,635</u>

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 6,330,126	\$ -	\$ -	\$ 6,330,126
Hedge funds	18,762,729	-	-	18,762,729
Fixed income	5,403,331	17,901,552	-	23,304,883
Equities	<u>88,413,788</u>	<u>-</u>	<u>-</u>	<u>88,413,788</u>
Total	<u>\$ 118,909,974</u>	<u>\$ 17,901,552</u>	<u>\$ -</u>	<u>\$ 136,811,526</u>

(Continued)

THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2023 and 2022

NOTE 5 - INVESTMENTS (Continued)

Mutual funds, publicly traded hedge funds, and equity securities are valued based on quoted prices for identical instruments in active markets (Level 1).

Fixed income instruments are valued based upon quoted prices for identical instruments in active markets (Level 1) and or imputing values from other instruments using matrix pricing for current yields and similar durations (Level 2 – income approach).

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

Investment returns for the General Fund are summarized for the years ended June 30, 2023 and 2022, in the table below:

<u>2023</u>	<u>General Fund</u>
Dividends and interest	\$ 3,140,370
Net realized and unrealized gain	11,060,309
Management fee expense	<u>(126,774)</u>
Total	<u>\$ 14,073,905</u>
 <u>2022</u>	 <u>General Fund</u>
Dividends and interest	\$ 2,927,117
Net realized and unrealized loss	(24,611,329)
Management fee expense	<u>(572,309)</u>
Total	<u>\$ (22,256,521)</u>

NOTE 6 - 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. Employees hired on or after January 1, 2007, are not eligible to participate in the Plan. Active employees older than age 55 as of January 1, 2007, are eligible to receive retiree medical insurance if they retire before age 65.

FASB Accounting Standards Codification (ASC) 715-60, *Defined Benefit Plans - Other Postretirement*, requires the Association to recognize the funded status of a defined benefit retirement plan as an asset or liability in its statements of financial position and to recognize changes in that funded status in net assets without donor restrictions in the year in which the change occurs.

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THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2023 and 2022

NOTE 6 - PENSION AND OTHER BENEFIT PLANS (Continued)

Benefit obligation and funded status as of June 30, are as follows:

	<u>2023</u>	<u>2022</u>
Change in benefit obligation		
Benefit obligation, beginning of year	\$ 60,755,855	\$ 78,290,774
Employer service cost	-	-
Interest cost	2,838,974	2,128,026
Plan participants' contributions	-	-
Actuarial gain	(2,701,297)	(15,209,234)
Benefits paid	<u>(4,792,579)</u>	<u>(4,453,711)</u>
Benefit obligation, end of year	56,100,953	60,755,855
Change in plan assets		
Fair value of plan assets at beginning of year	58,027,836	72,935,309
Actual return on plan assets	2,162,174	(11,253,762)
Employer contributions	600,003	800,000
Benefits paid	<u>(4,792,582)</u>	<u>(4,453,711)</u>
Fair value of plan assets at end of year	<u>55,997,431</u>	<u>58,027,836</u>
Funded status	<u>\$ (103,522)</u>	<u>\$ (2,728,019)</u>
Accumulated benefit obligation	\$ 56,100,953	\$ 60,755,855

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

	<u>2023</u>	<u>2022</u>
Non-current liabilities	\$ 103,522	\$ 2,728,019

Amounts not yet recognized as a component of net periodic benefit cost but recognized in net assets without donor restrictions as of June 30, 2023 and 2022, consist of the following:

	<u>2023</u>	<u>2022</u>
Net actuarial loss	<u>\$ 11,037,577</u>	<u>\$ 13,282,218</u>
Total	<u>\$ 11,037,577</u>	<u>\$ 13,282,218</u>

(Continued)

THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2023 and 2022

NOTE 6 - PENSION AND OTHER BENEFIT PLANS (Continued)

Amounts recognized in the change in value of pension plan for the years ended June 30, consist of the following:

	<u>2023</u>	<u>2022</u>
Amounts recognized in pension benefit changes other than net periodic benefit costs:		
Unrecognized actuarial gain arising during the year	\$ (1,828,864)	\$ (39,938)
Amortization of unrecognized actuarial gain	<u>(415,777)</u>	<u>(330,893)</u>
	(2,244,641)	(370,831)
Other changes in the pension plan valuation:		
Other	<u>220,147</u>	<u>(1,456,615)</u>
Total change in pension plan valuation	<u>\$ (2,024,494)</u>	<u>\$ (1,827,446)</u>

The benefit cost for the years ended June 30, is as follows:

	<u>2023</u>	<u>2022</u>
Other components of net periodic benefit cost		
Interest cost	\$ 2,838,974	\$ 2,128,026
Expected return on plan assets	(3,034,607)	(3,915,534)
Net loss amortization	<u>415,780</u>	<u>330,893</u>
Other components of net periodic benefit cost	<u>220,147</u>	<u>(1,456,615)</u>
Total net benefit cost	<u>\$ 220,147</u>	<u>\$ (1,456,615)</u>

The estimated net actuarial loss for the Plan that will be amortized into net periodic benefit cost during fiscal year 2023 is \$415,777. The estimated employer contributions to the Plan during fiscal year 2023 is \$600,003.

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

	<u>2023</u>	<u>2022</u>
Discount rate (benefit expense)	4.85 %	2.80 %
Discount rate (benefit obligation)	5.35	4.85
Expected long-term return on plan assets	5.40	5.50
Rate of compensation increase	3.50	3.50

(Continued)

THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2023 and 2022

NOTE 6 - PENSION AND OTHER BENEFIT PLANS (Continued)

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 significant reasons for the change in the funded status and reduction in net periodic cost was because the actual investment return on plan assets was greater than assumed, the discount rate increased compared to the prior year, and benefit accruals were frozen in the prior year.

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	
	2023	2022	2023	2022
Cash and cash equivalents	10 %	10 %	- %	- %
Exchange traded funds	23	23	25	25
Fixed income	67	67	75	75
Total	100 %	100 %	100 %	100 %

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 used to accommodate monthly benefit payouts are held in non-marketable money market funds. 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. The Association also invests in money market funds, which are publicly traded.

Mutual funds and equity securities are valued based on quoted prices for identical instruments in active markets (Level 1).

Fixed income instruments are valued based upon quoted prices for identical instruments in active markets (Level 1) and or imputing values from other instruments using matrix pricing for current yields and similar durations (Level 2 – income approach).

The following table summarizes the fair value classifications of the defined benefit plan as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 2,627,659	\$ -	\$ -	\$ 2,627,659
Fixed income	-	38,573,382	-	38,573,382
Exchange traded funds	14,750,896	-	-	14,750,896
Alternative investments	45,494	-	-	45,494
Total	\$ 17,424,049	\$ 38,573,382	\$ -	\$ 55,997,431

(Continued)

THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2023 and 2022

NOTE 6 - PENSION AND OTHER BENEFIT PLANS (Continued)

The following table summarizes the fair value classifications of the defined benefit plan as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 6,095,278	\$ -	\$ -	\$ 6,095,278
Fixed Income	-	38,678,032	-	38,678,032
Money market funds	-	-	-	-
Exchange traded funds	<u>13,254,526</u>	<u>-</u>	<u>-</u>	<u>13,254,526</u>
Total	<u>\$ 19,349,804</u>	<u>\$ 38,678,032</u>	<u>\$ -</u>	<u>\$ 58,027,836</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 does not expect to contribute to its defined benefit pension plan during the 2024 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:

2024	\$ 4,576,787
2025	4,535,422
2026	4,503,275
2027	4,475,832
2028	4,434,057
2029-2033	21,145,342

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 60 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 defined contribution plan. Participants are immediately 100% vested in all participant and matching contributions. The 401(k) match expense is \$1,344,971 and \$1,195,199 for the years ended June 30, 2023 and 2022, respectively.

NOTE 7 - 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 \$7,000,000. The deductible reserve is \$5,026,147 and \$5,506,008 as of June 30, 2023 and 2022, respectively.

NOTE 8 - LETTER OF CREDIT

The Association has an unused letter of credit in the amount of \$8,643,779 at both June 30, 2023 and 2022, respectively. 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.

(Continued)

THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2023 and 2022

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Litigation: The Association is a defendant in various legal actions. In the opinion of management of the Association, claims arising as a result of these actions will not have a material adverse impact on the Association's financial statements.

Minimum Lease Payment Obligations: The Association has entered into several non-cancelable operating leases that expire at various dates. For the years ended June 30, 2023 and 2022, office rent expense was \$223,900 and \$298,226, respectively, and equipment rental expense was \$95,400 and \$159,800, respectively. Such expenses are included in the corresponding department to which the equipment or office space relates. These expenses are recognized using the straight-line method over the life of the lease. The minimum future lease payments under these non-cancelable lease agreements as of June 30, 2023, are as follows:

2023	\$ 228,476
2024	<u>34,746</u>
	<u>\$ 263,222</u>

NOTE 10 - FUNCTIONAL EXPENSES

Operating expenses directly identified with a functional area are charged to that area directly, and supporting services and universally beneficial costs have been allocated amount the programs benefited. Functional expenses incurred for providing membership programs and services, management and general, and development expenses related to membership for the years ended June 30, 2023, are as follows:

	<u>Program</u>	<u>Administrative</u>	<u>Development</u>	<u>Total</u>
Salaries and related costs	\$ 19,768,656	\$ 6,267,472	\$ -	\$ 26,036,128
Travel	19,457,635	169,227	17,317	19,644,179
Depreciation	1,095,157	619,826	-	1,714,983
Maintenance	4,176,710	522,793	-	4,699,503
Awards	1,029,395	6,555	1,188	1,037,138
Postage	1,855,646	200,983	3,291	2,059,920
Insurance	-	4,018,564	-	4,018,564
Professional fees	3,179,446	677,847	-	3,857,293
Magazine	2,227,408	-	-	2,227,408
General session	2,710,552	-	-	2,710,552
Advertising	959,239	-	-	959,239
Translation	1,500,586	3,374	-	1,503,960
New Member Kits	1,006,135	-	-	1,006,135
Other	<u>6,047,268</u>	<u>(168,939)</u>	<u>133,541</u>	<u>6,011,870</u>
	<u>\$ 65,013,833</u>	<u>\$ 12,317,702</u>	<u>\$ 155,337</u>	<u>\$ 77,486,872</u>

(Continued)

THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2023 and 2022

NOTE 10 - FUNCTIONAL EXPENSES (Continued)

Functional expenses incurred for providing membership programs and services, management and general, and development expenses related to membership for the years ended June 30, 2022, are as follows:

	<u>Program</u>	<u>Administrative</u>	<u>Development</u>	<u>Total</u>
Salaries and related costs	\$ 19,569,517	\$ 5,823,172	\$ -	\$ 25,392,689
Travel	11,784,670	115,425	2,472	11,902,567
Depreciation	1,353,326	593,866	-	1,947,192
Maintenance	3,718,526	574,448	-	4,292,974
Awards	905,415	4,700	2	910,117
Postage	1,517,455	152,801	771	1,671,027
Insurance	-	3,673,651	-	3,673,651
Professional fees	2,618,683	649,627	-	3,268,310
Magazine	2,393,430	-	-	2,393,430
General session	2,591,228	-	-	2,591,228
Advertising	794,986	-	-	794,986
Translation	1,291,026	24	-	1,291,050
New Member Kits	848,317	-	-	848,317
Other	4,577,443	93,952	133,359	4,804,754
	<u>\$ 53,964,022</u>	<u>\$ 11,681,666</u>	<u>\$ 136,604</u>	<u>\$ 65,782,292</u>

NOTE 11 - SUBSEQUENT EVENTS

The Association evaluated its June 30, 2023, financial statements for subsequent events through November 1, 2023, 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.