

**FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
LIONS CLUBS INTERNATIONAL FOUNDATION  
JUNE 30, 2009 AND 2008**

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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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, 2009 and 2008, 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, 2009 and 2008, 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.

As discussed in note J, the 2008 financial statements have been restated to reclassify certain permanently restricted net assets to temporarily restricted and unrestricted net assets.

*Grant Thornton LLP*

Chicago, Illinois  
October 6, 2009

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

<b>ASSETS</b>	<u>2009</u>	<u>2008</u> (As restated)
Cash and cash equivalents	\$ 31,484,209	\$ 28,011,123
Accounts receivable	251,849	154,075
Pledges receivable, net	9,650,802	16,807,697
Due from non-United States Lions Clubs districts	3,144,315	2,970,493
Due from The International Association of Lions Clubs	299,782	2,095,710
Accrued interest receivable	33,059	1,787,645
Inventory, net of reserve of \$191,696 in 2009 and \$239,345 in 2008	926,601	992,533
Investments	215,767,835	288,331,359
Property and equipment, net	1,087,323	1,873,061
Goodwill	-	943,839
Other assets	<u>4,000</u>	<u>467,513</u>
<b>TOTAL ASSETS</b>	<u><u>\$262,649,775</u></u>	<u><u>\$344,435,048</u></u>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 361,281	\$ 608,142
Accrued expenses	12,568	20,910
Grants payable	45,290,754	55,198,569
Charitable gift annuities	<u>300,964</u>	<u>319,194</u>
Total liabilities	45,965,567	56,146,815
Net assets		
Unrestricted	100,091,717	170,829,212
Temporarily restricted	116,092,491	116,959,021
Permanently restricted	<u>500,000</u>	<u>500,000</u>
Total net assets	<u>216,684,208</u>	<u>288,288,233</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$262,649,775</u></u>	<u><u>\$344,435,048</u></u>

The accompanying notes are an integral part of these statements.

**Lions Clubs International Foundation**  
**STATEMENT OF ACTIVITIES**  
**Year ended June 30, 2009**

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue, gains and other support				
Contributions				
General	\$ 12,296,360	\$ 11,933,854	\$ -	\$ 24,230,214
Campaign SightFirst II	-	9,173,776	-	9,173,776
Charitable gift annuity, net	-	(21,416)	-	(21,416)
Lions Quest, net	434,864	-	-	434,864
Investment return	(63,332,474)	(74,915)	-	(63,407,389)
Net loss on currency exchange	(412,313)	-	-	(412,313)
Net assets released from restrictions	21,877,829	(21,877,829)	-	-
Total revenue, gains and other support	(29,135,734)	(866,530)	-	(30,002,264)
Expenses and losses				
Program-related expenses				
Grants				
SightFirst, net of grants adjustments of \$71,795	4,873,324	-	-	4,873,324
Standard, net of grants adjustments of \$84,935	5,945,105	-	-	5,945,105
Core 4, net of grants adjustments of \$177,962	1,189,486	-	-	1,189,486
Emergency, net of grants adjustments of \$109,623	1,230,377	-	-	1,230,377
International assistance	419,105	-	-	419,105
Designated, net of grants adjustments of \$24,639	12,144,440	-	-	12,144,440
Major catastrophe	450,000	-	-	450,000
Humanitarian	200,000	-	-	200,000
Seed, net of grant adjustments of \$42	99,958	-	-	99,958
Program services				
SightFirst	2,606,396	-	-	2,606,396
Lions Quest	2,666,713	-	-	2,666,713
Other	372,195	-	-	372,195
Total program-related expenses	32,197,099	-	-	32,197,099
Non-program-related expenses				
Administrative	4,883,384	-	-	4,883,384
Development	4,521,278	-	-	4,521,278
Total non-program-related expenses	9,404,662	-	-	9,404,662
Total expenses and losses	41,601,761	-	-	41,601,761
<b>CHANGE IN NET ASSETS</b>	(70,737,495)	(866,530)	-	(71,604,025)
Net assets at beginning of year	170,829,212	116,959,021	500,000	288,288,233
Net assets at end of year	<u>\$ 100,091,717</u>	<u>\$ 116,092,491</u>	<u>\$ 500,000</u>	<u>\$ 216,684,208</u>

The accompanying notes are an integral part of this statement.

**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 SightFirst 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)	-	-
Total revenue, gains and other support	14,537,669	45,972,508	-	60,510,177
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
Total program-related expenses	46,913,442	-	-	46,913,442
Non-program-related expenses				
Administrative	4,472,462	-	-	4,472,462
Development	8,403,932	-	-	8,403,932
Total non-program-related expenses	12,876,394	-	-	12,876,394
Total expenses and losses	59,789,836	-	-	59,789,836
<b>CHANGE IN NET ASSETS</b>	(45,252,167)	45,972,508	-	720,341
Net assets at beginning of year as originally reported	215,042,603	70,881,847	1,643,442	287,567,892
Prior-year restatement	1,038,776	104,666	(1,143,442)	-
Net assets at end of year, as restated	<u>\$ 170,829,212</u>	<u>\$116,959,021</u>	<u>\$ 500,000</u>	<u>\$288,288,233</u>

The accompanying notes are an integral part of this statement.

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

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Change in net assets	\$ (71,604,025)	\$ 720,341
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	900,913	951,344
Goodwill and intangible asset impairment	1,370,790	-
Net realized and unrealized losses on investments	64,417,020	35,354,314
Changes in operating assets and liabilities		
Accounts receivable	(97,774)	109,862
Net pledges receivable	7,156,895	(11,779,986)
Interest receivable	1,754,586	(580,857)
Due from non-United States Lions Clubs districts	(173,822)	(1,927,496)
Inventory	65,932	(70,056)
Other assets	(4,000)	-
Accounts payable and accrued expenses	(255,203)	614,081
Grants payable	(9,907,815)	5,467,626
Charitable gift annuities	(18,230)	68,887
Due to/from The International Association of Lions Clubs	<u>1,795,928</u>	<u>1,296,818</u>
Net cash (used in) provided by operating activities	(4,598,805)	30,224,878
Cash flows from investing activities		
Change in investment cash	8,146,504	(15,188,207)
Net purchases of property, plant and equipment	<u>(74,613)</u>	<u>(2,600)</u>
Net cash provided by (used in) investing activities	<u>8,071,891</u>	<u>(15,190,807)</u>
Increase in cash and cash equivalents	3,473,086	15,034,071
Cash and cash equivalents at beginning of year	<u>28,011,123</u>	<u>12,977,052</u>
Cash and cash equivalents at end of year	<u>\$ 31,484,209</u>	<u>\$ 28,011,123</u>

The accompanying notes are an integral part of these statements.

**Lions Clubs International Foundation**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009 and 2008**

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**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, 2009 and 2008, the Foundation had a receivable of \$299,782 and \$2,095,710, 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 \$1,606,924 and \$1,751,084 in 2009 and 2008, respectively, for such costs and services.

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**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, 2009 and 2008**

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**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. Material gifts in-kind used by the Foundation and donated goods distributed (e.g., medicine) are recorded as income and expense at the time the items are placed into service or distributed.

*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.

*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.

*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 the risk-adjusted 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, 2009 and 2008**

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**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. Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, the entity should estimate the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows is less than the carrying amount of the asset, an impairment loss is recognized. During the year ended June 30, 2009, the Foundation determined that the carrying value of the goodwill \$914,651 and intangible assets \$456,139 exceeded the expected future cash flows of the program associated with those assets, and an impairment loss was taken for these amounts. This loss is recorded within program service expense for Lions Quest.

***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.

***Multi-Year Grants***

Periodically, the Foundation enters into multi-year grant commitments. Grant disbursements are made as the grantee meets applicable terms and conditions of the grant. All grants are recorded based on the expected commitment in the year in which they are approved.

**Lions Clubs International Foundation**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2009 and 2008**

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

*New Accounting Standards and Accounting Changes*

In September 2006, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 157, “*Fair Value Measurements.*” SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, expands disclosure about fair value measurements and specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. The adoption of SFAS No. 157 did not have a material impact on the Foundation’s fair value measurements.

In February 2008, the FASB issued FASB Staff Position (“FSP”) FAS 157-2. FSP FAS 157-2 delays the effective date of SFAS No. 157 for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). In accordance with FSP FAS 157-2, the Foundation will defer the adoption of SFAS No. 157 for non-financial assets and non-financial liabilities.

In May 2009, the FASB issued SFAS No. 165, “*Subsequent Events.*” SFAS No. 165 is effective for periods ending after June 15, 2009. SFAS No. 165 introduces new terminology, defines a date through which management must evaluate subsequent events, and lists the circumstances under which an entity must recognize and disclose events or transactions occurring after the balance sheet date.

The Foundation evaluated its June 30, 2009 financial statements for subsequent events through October 6, 2009.

In December 2008, the FASB issued FSP FIN 48-3, “*Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises.*” FSP FIN 48-3 permits an entity within its scope to defer the effective date of FASB Interpretation No. 48 (“*Interpretation No. 48*”), “*Accounting for Uncertainty in Income Taxes,*” to its annual financial statements for fiscal years beginning after December 15, 2008. The Foundation has elected to defer the application of Interpretation No. 48 for the year ending June 30, 2009. The Foundation evaluates its uncertain tax positions using the provisions of SFAS No. 5, “*Accounting for Contingencies.*” Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

**Lions Clubs International Foundation**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2009 and 2008**

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**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, 2009 and 2008, temporarily restricted net assets, which primarily consist of the Campaign SightFirst II Program, totaled \$116,092,491 and \$116,959,021, respectively. Temporarily restricted net assets are donor-restricted for use in various programs of the Foundation.

Permanently restricted net assets include a gift which requires, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. At June 30, 2009 and 2008, permanently restricted net assets totaled \$500,000.

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**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>2009</u>	<u>2008</u>
Type of restriction		
Campaign SightFirst II	\$ 9,694,355	\$23,861,725
Gifts-in-kind - Treatment of River Blindness	11,058,000	2,637,750
Other designated	<u>1,125,474</u>	<u>3,289,789</u>
	<u>\$21,877,829</u>	<u>\$29,519,264</u>

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**NOTE E - ADMINISTRATIVE AND DEVELOPMENT EXPENSES**

Administrative and development expenses for the years ended June 30, 2009 and 2008, consisted of the following:

	<u>2009</u>	<u>2008</u>
Administrative		
Salaries and related costs	\$1,424,305	\$ 1,315,077
Allocation of headquarters' costs	997,652	761,846
Money management fees	1,163,209	1,189,538
Transportation and lodging	135,329	136,453
Publications and postage	47,777	12,615
Other	254,761	175,597
Depreciation	<u>860,351</u>	<u>881,336</u>
Total administrative	4,883,384	4,472,462

**Lions Clubs International Foundation**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2009 and 2008**

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**NOTE E - ADMINISTRATIVE AND DEVELOPMENT EXPENSES - Continued**

	<u>2009</u>	<u>2008</u>
Development		
Donor recognition	1,663,721	2,396,968
Allocation of headquarters' costs	338,647	774,112
Publications and postage	28,537	117,159
Salaries and related costs	578,207	897,156
Advertising and public relations	442,191	417,918
Transportation and lodging	315,565	714,791
Fundraising	342,500	2,040,000
Other	<u>811,910</u>	<u>1,045,828</u>
Total development	<u>4,521,278</u>	<u>8,403,932</u>
Total administrative and development expenses	<u>\$9,404,662</u>	<u>\$12,876,394</u>

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**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>2009</u>	<u>2008</u>
Amounts due in		
Less than one year	\$ 4,841,417	\$ 5,121,701
One to five years	<u>12,961,839</u>	<u>18,062,285</u>
Pledges receivable, gross	17,803,256	23,183,986
Unamortized discount	(1,030,191)	(1,451,990)
Allowance for uncollectible pledges	<u>(7,122,263)</u>	<u>(4,924,299)</u>
Pledges receivable, net	<u>\$ 9,650,802</u>	<u>\$16,807,697</u>

As of June 30, 2009 and 2008, discount rates for pledges receivable ranged from 3.13% to 4.80%.

**Lions Clubs International Foundation**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2009 and 2008**

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**NOTE G - INVESTMENTS**

Effective June 30, 2008, the Foundation adopted SFAS No. 157. SFAS No. 157 establishes a framework for measuring fair value. That framework 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 under SFAS No. 157 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.

Level 3 - Significant unobservable inputs that are significant to the fair value of the assets or liabilities.

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

Investments 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.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include private equity, private real estate and hedge fund of funds investments. The inputs used by the Foundation 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 Foundation due to the lack of observable inputs may significantly impact the resulting fair value and therefore the Foundation's results of operations.

**Lions Clubs International Foundation**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2009 and 2008**

**NOTE G - INVESTMENTS - Continued**

The following table summarizes investments by SFAS No. 157 levels as of June 30, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 1,786	\$ -	\$ -	\$ 1,786
Money market funds	93,224	-	-	93,224
Mutual funds	10,930,989	-	-	10,930,989
Equities securities	5,434,300	-	-	5,434,300
Corporate bonds	-	395,335	-	395,335
U.S. government securities	-	2,773,288	-	2,773,288
Mortgage-backed securities	-	496,134	-	496,134
Institutional funds	-	169,526,403	-	169,526,403
Commingled trust funds	-	14,988,243	-	14,988,243
Hedge funds	-	-	2,594,831	2,594,831
Private equity	-	-	<u>8,533,302</u>	<u>8,533,302</u>
Total	<u>\$16,460,299</u>	<u>\$188,179,403</u>	<u>\$11,128,133</u>	<u>\$215,767,835</u>

The following table summarizes the changes in fair values associated with SFAS No. 157 Level 3 assets:

	<u>Hedge funds</u>	<u>Private equity</u>	<u>Total</u>
Balance as of June 30, 2008	\$ 18,221,846	\$ 8,122,139	\$ 26,343,985
Purchases and (sales), net	(12,981,129)	2,436,074	(10,545,055)
Realized losses	(2,331,122)	-	(2,331,122)
Unrealized losses	(314,764)	(2,259,911)	(2,574,675)
Transfers in	<u>-</u>	<u>235,000</u>	<u>235,000</u>
Balance as of June 30, 2009	<u>\$ 2,594,831</u>	<u>\$ 8,533,302</u>	<u>\$11,128,133</u>

**Lions Clubs International Foundation**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2009 and 2008**

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**NOTE G - INVESTMENTS - Continued**

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

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

	<u>2009</u>	<u>2008</u>
Dividends and interest	\$ 1,009,631	\$ 16,361,828
Net realized and unrealized losses	<u>(64,417,020)</u>	<u>(35,354,314)</u>
Total investment return	<u>\$(63,407,389)</u>	<u>\$(18,992,486)</u>

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**NOTE H - PROPERTY AND EQUIPMENT**

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

	<u>2009</u>	<u>2008</u>
Equipment	\$4,682,714	\$4,670,180
Construction in process	<u>62,745</u>	<u>666</u>
	4,745,459	4,670,846
Less accumulated depreciation	<u>3,658,136</u>	<u>2,797,785</u>
	<u>1,087,323</u>	<u>1,873,061</u>
Depreciation expense	<u>\$ 860,351</u>	<u>\$ 885,726</u>

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**NOTE I - COMMITMENTS**

The Foundation is obligated under certain investment agreements to advance additional funding periodically, up to specified levels. At June 30, 2009, the Foundation had unfunded commitments of approximately \$14,500,000. These amounts are not reflected in the financial statements.

**Lions Clubs International Foundation**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2009 and 2008**

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**NOTE J - RESTATEMENT**

Subsequent to the issuance of the Foundation's 2008 financial statements, Foundation management determined that certain net assets were not properly classified in accordance with generally accepted accounting principles. Specifically, management determined that the Foundation's permanently restricted net assets should have been temporarily restricted from inception as they were purpose restricted, but not intended as a permanent endowment. This determination was based on a review of the available evidence of donor intent. As sufficient expenditures related to the restricted purposes have been made since the donations occurred, most of these funds were reclassified to unrestricted net assets.

Consequently, the beginning permanently restricted net assets of the Foundation at July 1, 2008, have been reduced by \$1,143,442 with offsetting increases to temporarily restricted net assets of \$104,666 and unrestricted net assets of \$1,038,776. This restatement has no effect on total net assets, revenues, expenses or changes in total net assets.