

**TENNESSEE LIONS CHARITIES, INC.**  
**(A TENNESSEE CORPORATION – NOT FOR PROFIT)**

**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

**(Together with Independent Auditor's Report)**

**TENNESSEE LIONS CHARITIES, INC.**

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## **INDEPENDENT AUDITOR'S REPORT**

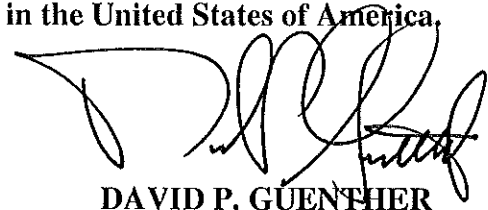
**To the Board of Directors  
Tennessee Lions Charities, Inc.  
Nashville, Tennessee**

I have audited the accompanying statements of financial position of Tennessee Lions Charities, Inc., (the organization), a nonprofit organization as of June 30, 2011 and 2010 and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 Organization's internal control over financial reporting. Accordingly, I 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, and evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

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

September 23, 2011



**DAVID P. GUENTHER**

**TENNESSEE LIONS CHARITIES, INC.**  
**(A TENNESSEE CORPORATION - NOT FOR PROFIT)**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2011 AND 2010**

**2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u><b>ASSETS</b></u>			
Current assets:			
Cash	\$ 322,481	\$ 364	\$ 322,845
Investments	254,647	136,372	391,019
Prepaid expenses	2,147	-	2,147
Total current assets	<u>\$ 579,275</u>	<u>\$ 136,736</u>	<u>\$ 716,011</u>
Property held for sale	<u>\$ 5,500</u>	<u>\$ -</u>	<u>\$ 5,500</u>
Property, building, and equipment, net of accumulated depreciation of \$445,269	<u>\$ 738,704</u>	<u>\$ -</u>	<u>\$ 738,704</u>
 Total assets	 <u>\$ 1,323,479</u>	 <u>\$ 136,736</u>	 <u>\$ 1,460,215</u>

**LIABILITIES AND NET ASSETS**

Current liabilities:			
Accounts payable	\$ 2,575	\$ -	\$ 2,575
Accrued property tax	4,174	-	4,174
Grants payable	164,812	-	164,812
Total current liabilities	<u>\$ 171,561</u>	<u>\$ -</u>	<u>\$ 171,561</u>
 Total liabilities	 <u>\$ 171,561</u>	 <u>\$ -</u>	 <u>\$ 171,561</u>
 Net assets:			
Unrestricted	\$ 1,151,918	\$ -	\$ 1,151,918
Temporarily restricted	-	136,736	136,736
Total net assets	<u>\$ 1,151,918</u>	<u>\$ 136,736</u>	<u>\$ 1,288,654</u>
 Total liabilities and net assets	 <u>\$ 1,323,479</u>	 <u>\$ 136,736</u>	 <u>\$ 1,460,215</u>

The accompanying notes to financial statements are an integral part of this statement.

2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>ASSETS</u>			
Current assets:			
Cash	\$ 284,819	\$ 50,000	\$ 334,819
Investments	180,274	381,255	561,529
Prepaid expenses	2,035	-	2,035
Total current assets	<u>\$ 467,128</u>	<u>\$ 431,255</u>	<u>\$ 898,383</u>
Property held for sale	<u>\$ 5,500</u>	<u>\$ -</u>	<u>\$ 5,500</u>
Property, building, and equipment, net of accumulated depreciation of \$412,923	<u>\$ 746,025</u>	<u>\$ -</u>	<u>\$ 746,025</u>
 Total assets	 <u><u>\$ 1,218,653</u></u>	 <u><u>\$ 431,255</u></u>	 <u><u>\$ 1,649,908</u></u>
<u>LIABILITIES AND NET ASSETS</u>			
Current liabilities:			
Accounts payable	\$ 1,529	\$ -	\$ 1,529
Accrued property tax	4,174	-	4,174
Grants payable	118,402	-	118,402
Total current liabilities	<u>\$ 124,105</u>	<u>\$ -</u>	<u>\$ 124,105</u>
 Total liabilities	 <u><u>\$ 124,105</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 124,105</u></u>
Net assets:			
Unrestricted	\$ 1,094,548	\$ -	\$ 1,094,548
Temporarily restricted	-	431,255	431,255
Total net assets	<u>\$ 1,094,548</u>	<u>\$ 431,255</u>	<u>\$ 1,525,803</u>
 Total liabilities and net assets	 <u><u>\$ 1,218,653</u></u>	 <u><u>\$ 431,255</u></u>	 <u><u>\$ 1,649,908</u></u>

**TENNESSEE LIONS CHARITIES, INC.**  
**(A TENNESSEE CORPORATION - NOT FOR PROFIT)**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues, gains, and other support:</b>			
Contributions	\$ 14,152	\$ 52,757	\$ 66,909
Grant income	-	121,450	121,450
Rental income	67,505	-	67,505
Investment income	29,863	-	29,863
Net assets released from restrictions:	-	-	-
Satisfaction of program restrictions	221,026	(221,026)	-
<b>Total revenues, gains, and other support</b>	<b>\$ 332,546</b>	<b>\$ (46,819)</b>	<b>285,727</b>
<b>Expenses:</b>			
Program services	\$ 173,767	\$ -	\$ 173,767
Management and general	127,071	-	127,071
Fund raising expenses	33,986	-	33,986
<b>Total expenses</b>	<b>\$ 334,824</b>	<b>\$ -</b>	<b>334,824</b>
<b>Excess (deficit) of revenue and support over expense</b>	<b>\$ (2,278)</b>	<b>\$ (46,819)</b>	<b>\$ (49,097)</b>
<b>Transfer of net assets to the Community Foudation (Note 8)</b>	<b>-</b>	<b>(247,700)</b>	<b>(247,700)</b>
Unrealized gain on investments	57,244	-	57,244
Realized gain on investments	3,912	-	3,912
Loss on disposal of fixed assets	(1,508)	-	(1,508)
<b>Increase (Decrease) in net assets</b>	<b>\$ 57,370</b>	<b>\$ (294,519)</b>	<b>\$ (237,149)</b>
<b>Net assets at beginning of year</b>	<b>1,094,548</b>	<b>431,255</b>	<b>1,525,803</b>
<b>Net assets at end of year</b>	<b>\$ 1,151,918</b>	<b>\$ 136,736</b>	<b>\$ 1,288,654</b>

The accompanying notes to financial statements are an integral part of this statement.

2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues, gains, and other support:</b>			
Contributions	\$ 6,290	\$ 111,891	\$ 118,181
Grant income	-	121,650	121,650
Rental income	67,395	-	67,395
Interest income	18,997	-	18,997
Net assets released from restrictions:	-	-	-
Satisfaction of program restrictions	<u>187,958</u>	<u>(187,958)</u>	<u>-</u>
Total revenues, gains, and other support	\$ <u>280,640</u>	\$ <u>45,583</u>	\$ <u>326,223</u>
<b>Expenses:</b>			
Program services	\$ 137,049	\$ -	\$ 137,049
Management and general	136,850	-	136,850
Fund raising expenses	<u>33,762</u>	<u>-</u>	<u>33,762</u>
Total expenses	\$ <u>307,661</u>	\$ <u>-</u>	\$ <u>307,661</u>
Excess (deficit) of revenue and support over expense	\$ (27,021)	\$ 45,583	\$ 18,562
Transfer of net assets to the Community Foundation (Note 8)	-	(135,000)	(135,000)
Unrealized gain on investments	<u>51,145</u>	<u>-</u>	<u>51,145</u>
Increase (Decrease) in net assets	\$ 24,124	\$ (89,417)	\$ (65,293)
Net assets at beginning of year	<u>1,070,424</u>	<u>520,672</u>	<u>1,591,096</u>
Net assets at end of year	\$ <u><u>1,094,548</u></u>	\$ <u><u>431,255</u></u>	\$ <u><u>1,525,803</u></u>

**TENNESSEE LIONS CHARITIES, INC.**  
**(A TENNESSEE CORPORATION - NOT FOR PROFIT)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2011 AND 2010**

**2011**

	<u><b>Program Services</b></u>	<u><b>Management and General</b></u>	<u><b>Fund Raising</b></u>	<u><b>Total</b></u>
Grants	\$ 118,650	\$ -	\$ -	\$ 118,650
Disaster relief	49,708	-	-	49,708
Salaries	-	39,954	24,258	64,212
Screening expenses	5,409	-	-	5,409
Building utilities and expenses	-	25,778	-	25,778
Accounting	-	5,668	-	5,668
Property taxes	-	8,375	-	8,375
Telephone	-	569	6,988	7,557
Payroll taxes	-	3,057	1,855	4,912
Supplies	-	1,967	-	1,967
Investment fees	-	4,002	-	4,002
Meetings	-	264	521	785
Taxes and licenses	-	480	-	480
Freight and postage	-	352	-	352
Printing	-	-	60	60
Miscellaneous	-	-	304	304
Total expenses before depreciation	\$ 173,767	\$ 90,466	\$ 33,986	\$ 298,219
Depreciation	-	36,605	-	36,605
	<u>\$ 173,767</u>	<u>\$ 127,071</u>	<u>\$ 33,986</u>	<u>\$ 334,824</u>
	52%	38%	10%	100%

The accompanying notes to financial statements are an integral part of this statement.



2010

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Grants	\$ 121,650	\$ -	\$ -	\$ 121,650
Salaries	-	39,200	23,800	63,000
Screening expenses	15,399	-	-	15,399
Building utilities and expenses	-	22,708	-	22,708
Accounting	-	5,618	-	5,618
Property taxes	-	8,373	-	8,373
Telephone	-	558	7,411	7,969
Payroll taxes	-	2,999	1,821	4,820
Supplies	-	3,267	-	3,267
Investment fees	-	5,614	-	5,614
Meetings	-	375	137	512
Taxes and licenses	-	455	-	455
Freight and postage	-	179	-	179
Printing	-	-	60	60
Miscellaneous	-	1,080	533	1,613
Total expenses before depreciation	\$ 137,049	\$ 90,426	\$ 33,762	\$ 261,237
Depreciation	-	46,424	-	46,424
	<u>\$ 137,049</u>	<u>\$ 136,850</u>	<u>\$ 33,762</u>	<u>\$ 307,661</u>
	45%	44%	11%	100%

**TENNESSEE LIONS CHARITIES, INC.**  
**(A TENNESSEE CORPORATION - NOT FOR PROFIT)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>Operating activities:</b>		
Increase (decrease) in net assets	\$ (237,149)	\$ (65,293)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities:		
Depreciation	36,605	46,424
Unrealized (gain) loss on investments	(57,244)	(51,145)
Loss on disposal of assets	1,508	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	-	102
(Increase) decrease in prepaid expenses	(112)	(83)
(Increase) decrease in deposits	-	100
Increase (decrease) in accounts payable and accrued expenses	1,046	(109)
Increase (decrease) in grants payable	<u>46,410</u>	<u>54,496</u>
Net cash provided by (used for) operating activities	\$ <u>(208,936)</u>	\$ <u>(15,508)</u>
<b>Investing activities:</b>		
(Purchase) maturity of certificates of deposit	\$ -	\$ 158,908
Purchase (sale) of investments, net	227,754	(967)
Purchase of furniture, fixtures, and equipment	<u>(30,792)</u>	<u>-</u>
Net cash provided by (used for) investing activities	\$ <u>196,962</u>	\$ <u>157,941</u>
<b>Increase (decrease) in cash</b>	<b>\$ (11,974)</b>	<b>\$ 142,433</b>
<b>Cash at beginning of year</b>	<b><u>334,819</u></b>	<b><u>192,386</u></b>
<b>Cash at end of year</b>	<b><u>\$ 322,845</u></b>	<b><u>\$ 334,819</u></b>

The accompanying notes to financial statements are an integral part of this statement.

**TENNESSEE LIONS CHARITIES, INC.**  
**(A TENNESSEE CORPORATION – NOT FOR PROFIT)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**(1) SIGNIFICANT ACCOUNTING POLICIES:**

**Organization** – Tennessee Lions Charities, Inc. (the Organization) was formed on October 1, 1995 to provide financial support and volunteer involvement in health care programs; primarily for preventable and curable eyesight difficulties with a special emphasis on pediatric vision problems in very young children. The Organization is affiliated with Lions Clubs Volunteer Services, Inc., Lions Clubs international, Lions Clubs International Foundation, as well as other Lions Clubs organizations and chapters throughout Tennessee. The Organization was involved in one program of service, the Operation KidSight Campaign, which was a project to raise money to fund the Tennessee Lions Eye Center (Eye Center) at Vanderbilt Children's Hospital in Nashville, Tennessee. During the year ended June 30, 2004, the Organization met its \$4,000,000 goal that established the Eye Center and, therefore, ended the Operation KidSight Campaign. Currently, the Organization is involved in one program of service, KidSight Outreach, which is a project to raise money to fund the outreach activities of the Eye Center. As of June 30, 2011, volunteers using the latest specially designed vision screening equipment designed for preschool children have screened approximately 356,717 children. The Organization plans to continue to fulfill its mission by continuing to raise support for the KidSight Outreach Vision Screening Program and creating new programs in the future.

**Accrual Basis** – The financial statements of the Organization are prepared using the accrual basis of accounting, under which income is recognized when earned rather than when collected and expenses are recognized when incurred rather than when disbursed.

**Basis of Presentation** – Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Codification ASC 958-225 (formerly SFAS No. 117). Under ASC 958-225, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. A description of the three net asset categories follows:

**Unrestricted** – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

**Temporarily Restricted** – Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

**Permanently Restricted** – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. At June 30, 2011 and 2010, there were no permanently restricted net assets.

**Use of Estimates** – Management of the Organization has made a number of estimates and assumptions relating to the reporting of assets and liabilities and disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from these estimates.

**Cash Equivalents** – For purposes of the Statements of Cash Flows, cash equivalents include any liquid investments with an original maturity of three months or less. At June 30, 2011 and 2010, there were no cash equivalents.

**Accounts Receivable** – An allowance for doubtful accounts is established through a provision for receivable losses charged to expense. Receivables are charged against the allowance when management believes the collectability of the receivable is unlikely. Management's estimate of doubtful accounts is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that management's estimate of the allowance for doubtful accounts could change. In management's judgment, no allowance was required at June 30, 2011 and 2010 on existing receivables. There was no bad debt expense recognized in 2011 and 2010 related to accounts receivable.

Accounts receivable are considered delinquent after sixty days. Late fees and interest are not assessed on delinquent accounts. It is not the policy of the Organization to place a club or vendor on non-accrual status. At June 30, 2011 and 2010, there are no accounts receivable greater than ninety days old.

**Investments** – Investments consist of certificates of deposit and marketable securities. The organization purchased various certificates of deposit with maturity dates ranging from August 22, 2009 to March 23, 2010. The interest rates on the certificates of deposit range from .85% to 3.15% with the interest rolling into the certificates of deposit. Certificates of deposit with a maturity date greater than one year are classified as long-term on the Statements of Financial Position. All certificates matured during the year ended June 30, 2010.

Investments in equity securities with readily determinable fair values and all debt securities are carried at fair value with gains and losses included as unrestricted on the Statements of Activities and Changes in Net Assets. Other investments (such as real property) are carried at the lower of cost or fair value.

**Promises to Give** – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

The Organization uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. It is reasonably possible that management's estimate of the allowance for doubtful promises to give could change.

Promises to give are not considered delinquent until the program is completed. It is not the Organization's policy to place a club on non-accrual status. There were no promises to give and no bad debt expense for the years ended June 30, 2011 and 2010.

**Property, Building and Equipment** – Property, building and equipment are stated at cost or, if donated, at fair market value at the date of gift. Upon retirement or disposition, costs and accumulated depreciation are removed from the accounts, and the resulting profit or loss is reflected in income. Maintenance and repairs and items under \$600 are charged to expense as incurred. Property, building and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, which range from three to thirty years.

**Contributions** – Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

**Income Taxes** – The Internal Revenue Service granted the Organization exempt status under Code Section 501(c)(3) as a charitable organization, and has classified it as other than a private foundation as defined in Code Section 590(a).

**Contributed Services** – A substantial number of unpaid volunteers have made significant contributions of their time to develop the Organization's programs, particularly in the areas of program service and fund raising. No amounts have been recognized in the accompanying financial statements because the criteria for recognition of such volunteer effort under ASC 958-605 (formerly SFAS No. 116, *Accounting for Contributions Received and Contributions Made*), have not been satisfied.

## **(2) RELATED PARTY TRANSACTIONS:**

The Organization received donated services and use of office equipment from Lions Clubs Volunteer Services, Inc. (LCVS), an affiliated organization. No expense or revenue has been recorded on the books for the years ended June 30, 2011 and 2010 due to the immateriality of the amount involved. The Organization received a grant in the amount of \$50,000 from Lions Clubs International Foundation for the year ended June 30, 2010 designated for disaster relief for victims of the Middle Tennessee floods of May 2010.

Tennessee Lions Charities, Inc.  
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**(3) INVESTMENTS:**

Investments are stated at fair value and are summarized at June 30 as follows:

	<u>2011</u>		<u>2010</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
Cash and cash equivalents	\$ 16,371	\$ 16,371	\$ 73,269	\$ 73,269
Mutual Funds - Equity	290,734	400,000	349,222	400,000
Mutual Funds - Fixed income	83,914	160,000	139,038	160,000
	<u>\$ 391,019</u>	<u>\$ 401,371</u>	<u>\$ 561,529</u>	<u>\$ 633,269</u>
Market value			\$ 391,019	\$ 561,529
Cost			<u>401,371</u>	<u>633,269</u>
Unrealized gain (loss)			\$ <u>(10,352)</u>	\$ <u>(71,740)</u>
Investment income			\$ 12,336	\$ 16,579
Interest income			1,628	2,417
Investment fees			<u>(4,002)</u>	<u>(5,614)</u>
Realized net investment income			\$ <u>9,962</u>	\$ <u>13,382</u>

**4) PROPERTY, BUILDING AND EQUIPMENT:**

Property, building and equipment consist of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Land	\$ 240,000	\$ 240,000
Building and improvements	836,974	811,474
Furniture and fixtures	28,290	28,765
Equipment	<u>78,709</u>	<u>78,709</u>
	\$ 1,183,973	\$ 1,158,948
Less: Accumulated depreciation	<u>(445,269)</u>	<u>(412,923)</u>
	\$ <u>738,704</u>	\$ <u>746,025</u>

**(5) LEASING ARRANGEMENTS:**

The Organization leases office space and land to unrelated third parties under operating leases expiring October, 2013 and July, 2014, respectively. Minimum future rentals to be received for the years ending June 30 under the leases are as follows:

2012	\$ 57,636
2013	57,636
2014	20,212
Thereafter	125
	<u>\$ 135,609</u>

**(6) TEMPORARILY RESTRICTED NET ASSETS:**

Temporary restricted net assets are available for the following purposes:

	<u>2011</u>	<u>2010</u>
KidSight Outreach	\$ 119,853	\$ 128,274
Screening equipment	16,519	11,099
Endowment transfer	-0-	241,882
Disaster relief	364	50,000
	<u>\$ 136,736</u>	<u>\$ 431,255</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

	<u>2011</u>	<u>2010</u>
KidSight Outreach	\$ 165,938	\$ 172,559
Screening equipment	5,409	15,399
Disaster relief	49,708	-
	<u>\$ 221,055</u>	<u>\$ 187,958</u>

**(7) CONCENTRATIONS OF CREDIT RISK:**

The majority of the Organization's revenue is derived from individuals, corporations, and lions Clubs organizations located in Tennessee. The following sources contributed more than 10% of total revenues, gains, and other support:

	<u>2011</u>	<u>2010</u>
Grant A	34%	30%

**(8) ENDOWMENT FUND:**

Prior to June 30, 2008, the Organization received donations of \$375,000 designated for the establishment of an endowment fund. During the year ended June 30, 2010, the Organization established an endowment fund with The Community Foundation of Middle Tennessee (the "Foundation"). The Foundation is responsible for the investment and management of this fund. Net income from this fund will be forwarded to the Organization and may be used for its general operations. Income recovered during the year ended June 30, 2011 adjusted to \$15,900.

During the years ended June 30, 2011 and 2010, \$247,700 and \$135,000 were transferred to this fund. Additional designated donations of \$5,789 and \$1,882 (net of donor recognition expenses of \$361 and \$118) were also received.