

TENNESSEE LIONS CHARITIES, INC.

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2008 AND 2007

**TENNESSEE LIONS CHARITIES, INC.**

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**June 30, 2008 and 2007**

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December 9, 2008

Independent Auditors' Report

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

We have audited the accompanying statements of financial position of Tennessee Lions Charities, Inc. (the Organization), a nonprofit organization, as of June 30, 2008 and 2007, 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. 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. 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 Organization'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, and 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 Tennessee Lions Charities, Inc. as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Purveyor, Hamilton, Hausman & Wood, P.C.*

**TENNESSEE LIONS CHARITIES, INC.**

**Statements of Financial Position**

**June 30, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><u>Assets</u></b>			
Current assets:			
Cash	\$ 118,006	\$ -	\$ 118,006
Investments	619,925	138,236	758,161
Prepaid expenses	<u>1,802</u>	<u>-</u>	<u>1,802</u>
Total current assets	739,733	138,236	877,969
 Property held for sale	 5,500	 -	 5,500
 Property, building, and equipment, net of accumulated depreciation of \$319,669	 837,737	 -	 837,737
 Deposits	 <u>100</u>	 <u>-</u>	 <u>100</u>
 Total assets	 <u>\$ 1,583,070</u>	 <u>\$ 138,236</u>	 <u>\$ 1,721,306</u>
<b><u>Liabilities and Net Assets</u></b>			
Current liabilities:			
Accounts payable	\$ 1,517	\$ -	\$ 1,517
Accrued property taxes	4,484	-	4,484
Grants payable	<u>5,975</u>	<u>-</u>	<u>5,975</u>
Total current liabilities	<u>11,976</u>	<u>-</u>	<u>11,976</u>
 Total liabilities	 <u>11,976</u>	 <u>-</u>	 <u>11,976</u>
 Net assets:			
Unrestricted	1,571,094	-	1,571,094
Temporarily restricted	<u>-</u>	<u>138,236</u>	<u>138,236</u>
Total net assets	<u>1,571,094</u>	<u>138,236</u>	<u>1,709,330</u>
 Total liabilities and net assets	 <u>\$ 1,583,070</u>	 <u>\$ 138,236</u>	 <u>\$ 1,721,306</u>

See independent auditors' report and accompanying notes to financial statements.

**TENNESSEE LIONS CHARITIES, INC.**

**Statements of Financial Position (Continued)**

**June 30, 2007**

	<u>Assets</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Current assets:				
Cash		\$ 192.166	\$127.606	\$ 319,772
Accounts receivable		500	-	500
Investments		319.335	-	319.335
Prepaid expenses		<u>1,658</u>	<u>-</u>	<u>1,658</u>
Total current assets		513.659	127.606	641,265
Investments		187.884	-	187,884
Property held for sale		5.500	-	5,500
Property, building, and equipment, net of accumulated depreciation of \$277,327		826,284	-	826,284
Deposits		<u>100</u>	<u>-</u>	<u>100</u>
Total assets		<u>\$1,533,427</u>	<u>\$127,606</u>	<u>\$1,661,033</u>
<b><u>Liabilities and Net Assets</u></b>				
Current liabilities:				
Accounts payable		\$ 1.522	\$ -	\$ 1.522
Accrued property taxes		<u>4,484</u>	<u>-</u>	<u>4,484</u>
Total current liabilities		<u>6,006</u>	<u>-</u>	<u>6,006</u>
Total liabilities		<u>6,006</u>	<u>-</u>	<u>6,006</u>
Net assets:				
Unrestricted		1,527,421	-	1,527,421
Temporarily restricted		<u>-</u>	<u>127,606</u>	<u>127,606</u>
Total net assets		<u>1,527,421</u>	<u>127,606</u>	<u>1,655,027</u>
Total liabilities and net assets		<u>\$1,533,427</u>	<u>\$127,606</u>	<u>\$1,661,033</u>

See independent auditors' report and accompanying notes to financial statements.

TENNESSEE LIONS CHARITIES, INC.

Statements of Activities and Changes in Net Assets

For the Year Ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains, and other support:			
Contributions	\$ 19,166	\$ 227,580	\$ 246,746
Grant income	-	82,000	82,000
Rental income	66,116	-	66,116
Investment income	35,530	-	35,530
Gain (loss) on sale of investment	(10,580)	-	(10,580)
Net assets released from restrictions:			
Satisfaction of program restrictions	306,150	(306,150)	-
Transfer	<u>(7,200)</u>	<u>7,200</u>	<u>-</u>
Total revenues, gains, and other support	<u>409,182</u>	<u>10,630</u>	<u>419,812</u>
Expenses:			
Program services	195,726	-	195,726
Management and general	125,925	-	125,925
Fund raising expenses	<u>43,858</u>	<u>-</u>	<u>43,858</u>
Total expenses	<u>365,509</u>	<u>-</u>	<u>365,509</u>
Increase in net assets	43,673	10,630	54,303
Net assets at beginning of year	<u>1,527,421</u>	<u>127,606</u>	<u>1,655,027</u>
Net assets at end of year	<u>\$ 1,571,094</u>	<u>\$ 138,236</u>	<u>\$ 1,709,330</u>

See independent auditors' report and accompanying notes to financial statements.

TENNESSEE LIONS CHARITIES, INC.

Statements of Activities and Changes in Net Assets (Continued)

For the Year Ended June 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains, and other support:			
Contributions	\$ 55,648	\$ 148,777	\$ 204,425
Grant income	-	84,000	84,000
Rental income	79,883	-	79,883
Interest income	34,356	-	34,356
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>175,796</u>	<u>(175,796)</u>	<u>-</u>
Total revenues, gains, and other support	<u>345,683</u>	<u>56,981</u>	<u>402,664</u>
Expenses:			
Program services	135,741	-	135,741
Management and general	97,036	-	97,036
Fund raising expenses	<u>28,725</u>	<u>-</u>	<u>28,725</u>
Total expenses	<u>261,502</u>	<u>-</u>	<u>261,502</u>
Increase in net assets	84,181	56,981	141,162
Net assets at beginning of year	<u>1,443,240</u>	<u>70,625</u>	<u>1,513,865</u>
Net assets at end of year	<u>\$1,527,421</u>	<u>\$ 127,606</u>	<u>\$1,655,027</u>

See independent auditors' report and accompanying notes to financial statements.

TENNESSEE LIONS CHARITIES, INC.

Statements of Cash Flows

For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating activities:		
Increase (decrease) in net assets	\$ 54,303	\$ 141,162
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities:		
Depreciation	42,342	37,928
Unrealized (gain) loss on investment	10,580	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	500	293
(Increase) decrease in prepaid expenses	(144)	(1)
Increase (decrease) in accounts payable and accrued expenses	(5)	218
Increase (decrease) in grants payable	<u>5,975</u>	<u>(30,014)</u>
Net cash provided by (used for) operating activities	<u>113,551</u>	<u>149,586</u>
Investing activities:		
Purchase (maturity) of certificates of deposit	352,231	(20,459)
Purchase of investments, net	(613,753)	-
Purchase of furniture, fixtures, and equipment	<u>(53,795)</u>	<u>(712)</u>
Net cash provided by (used for) investing activities	<u>(315,317)</u>	<u>(21,171)</u>
Increase (decrease) in cash	(201,766)	128,415
Cash at beginning of year	<u>319,772</u>	<u>191,357</u>
Cash at end of year	<u>\$ 118,006</u>	<u>\$ 319,772</u>

See independent auditors' report and accompanying notes to financial statements.



**TENNESSEE LIONS CHARITIES, INC.**

**Statements of Functional Expenses**

**For the Year Ended June 30, 2008**

	<u>Program Services</u>	<u>Fund Raising</u>	<u>Management and General</u>	<u>Total</u>
Grants	\$ 149,303	\$ -	\$ -	\$ 149,303
Salaries	-	33,000	32,000	65,000
Screening expenses	46,423	-	-	46,423
Building utilities and expenses	-	-	24,821	24,821
Accounting	-	-	9,583	9,583
Property taxes	-	-	8,992	8,992
Telephone	-	6,386	528	6,914
Payroll taxes	-	2,526	2,448	4,974
Supplies	-	-	2,536	2,536
Investment fees	-	-	1,418	1,418
Meetings	-	129	419	548
Taxes and licenses	-	-	455	455
Freight and postage	-	-	383	383
Printing	-	220	-	220
Miscellaneous	-	1,597	-	1,597
Total expenses before depreciation	195,726	43,858	83,583	323,167
Depreciation	-	-	42,342	42,342
	<u>\$ 195,726</u>	<u>\$ 43,858</u>	<u>\$ 125,925</u>	<u>\$ 365,509</u>
	<u>54%</u>	<u>12%</u>	<u>34%</u>	<u>100%</u>

See independent auditors' report and accompanying notes to financial statements.

TENNESSEE LIONS CHARITIES, INC.

Statements of Functional Expenses (Continued)

For the Year Ended June 30, 2007

	<u>Program Services</u>	<u>Fund Raising</u>	<u>Management and General</u>	<u>Total</u>
Grants	\$ 119,986	\$ -	\$ -	\$ 119,986
Salaries	-	22,154	15,731	37,885
Building utilities and expenses	-	-	22,009	22,009
Screening expenses	15,755	-	-	15,755
Property taxes	-	-	8,834	8,834
Accounting	-	-	8,611	8,611
Telephone	-	3,273	515	3,788
Payroll taxes	-	1,695	1,204	2,899
Supplies	-	-	1,224	1,224
Meetings	-	352	137	489
Taxes and licenses	-	-	455	455
Freight and postage	-	-	388	388
Printing	-	227	-	227
Miscellaneous	-	1,024	-	1,024
Total expenses before depreciation	135,741	28,725	59,108	223,574
Depreciation	-	-	37,928	37,928
	<u>\$ 135,741</u>	<u>\$ 28,725</u>	<u>\$ 97,036</u>	<u>\$ 261,502</u>
	<u>52%</u>	<u>11%</u>	<u>37%</u>	<u>100%</u>

See independent auditors' report and accompanying notes to financial statements.

**TENNESSEE LIONS CHARITIES, INC.**

**Notes to Financial Statements**

**June 30, 2008 and 2007**

**(1) Summary of Significant Accounting Policies**

**(a) 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 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, 2008, the Eye Center's Outreach Program has screened approximately 240,700 children with the help of numerous volunteers who took photographs of the children's eyes. The Organization plans to continue to fulfill its mission by continuing to raise support for the Eye Center and creating new programs in the future.

**(b) 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.

**(c) Basis of Presentation**

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations* (SFAS No. 117). Under SFAS No. 117, 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:

(Continued)

**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, 2008 and 2007, there are no permanently restricted net assets.

**(d) 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.

**(e) 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, 2008 and 2007, there were no cash equivalents.

**(f) 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 collectibility 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, 2008 and 2007 on existing receivables. There was no bad debt expense recognized in 2008 and 2007 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

(Continued)

June 30, 2008 and 2007, there are no accounts receivable greater than ninety days old.

**(g) Investments**

Investments consist of certificates of deposit and marketable securities. The Organization purchased various certificates of deposit with maturity dates ranging from August 9, 2008 to September 23, 2008. The interest rates on the certificates of deposit range from 3.25% to 5.36% 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.

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.

**(h) 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, 2008 and 2007.

**(i) 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.

**(j) 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,

(Continued)

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.

(k) **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).

(l) **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 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, 2008 and 2007 due to the immateriality of the amount involved. The Organization received rental income from LCVS in the amount of \$15,000 for the year ended June 30, 2007. The Organization received a grant in the amount of \$30,000 from Lions Clubs International Foundation for the year ended June 30, 2008.

(3) **Investments**

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

	2008		2007	
	Market	Cost	Market	Cost
Cash and cash equivalents	\$ 53,807	\$ 53,807	\$ -	\$ -
Mutual Funds - Equity	392,871	399,945	-	-
Mutual Funds - Fixed income	<u>156,494</u>	<u>160,000</u>	-	-
	603,172	613,752	-	-
 Certificates of deposit	 <u>154,989</u>	 <u>154,989</u>	 <u>507,219</u>	 <u>507,219</u>
	<u>\$758,161</u>	<u>\$768,741</u>	<u>\$507,219</u>	<u>\$507,219</u>

(Continued)

	<u>2008</u>	<u>2007</u>
Market value	\$758,161	\$507,219
Cost	<u>(768,741)</u>	<u>(507,219)</u>
Unrealized gain (loss)	<u>\$ (10,580)</u>	<u>\$ -</u>
Investment income	\$ 3,862	\$ -
Interest income	31,668	34,356
Investment fees	<u>(1,418)</u>	<u>-</u>
Realized net investment income	<u>\$ 34,112</u>	<u>\$ 34,356</u>

(4) **Property, Building, and Equipment**

Property, building, and equipment consist of the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Land	\$ 240,000	\$ 240,000
Building and improvements	811,474	811,474
Furniture and fixtures	28,765	28,765
Equipment	<u>77,167</u>	<u>23,372</u>
	1,157,406	1,103,611
Less - Accumulated depreciation	<u>(319,669)</u>	<u>(277,327)</u>
	<u>\$ 837,737</u>	<u>\$ 826,284</u>

Depreciation expense amounted to \$42,342 and \$37,928 for the years ended June 30, 2008 and 2007, respectively.

(5) **Leasing Arrangements**

The Organization leases office space and land under operating leases expiring November 1, 2008 and November 30, 2013, respectively. Minimum future rentals to be received for the years ending June 30 under the leases are as follows:

2009	\$ 17,000
2010	3,000
2011	3,000
2012	3,000
2013	3,000
Thereafter	<u>1,250</u>
	<u>\$ 30,250</u>

(Continued)

(6) **Temporarily Restricted Net Assets**

Temporary restricted net assets are available for the following purpose:

	<u>2008</u>	<u>2007</u>
KidSight Outreach	\$ 128,611	\$ 119,806
Screening equipment	<u>9,625</u>	<u>7,800</u>
	<u>\$ 138,236</u>	<u>\$ 127,606</u>

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

	<u>2008</u>	<u>2007</u>
KidSight Outreach	\$ 186,580	\$ 175,796
Screening equipment	<u>119,570</u>	<u>-</u>
	<u>\$ 306,150</u>	<u>\$ 175,796</u>

For the year ended June 30, 2008, \$7,200 was transferred from unrestricted to temporarily restricted for screening equipment per donor request.

(7) **Concentration 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>2008</u>	<u>2007</u>
Grant A	20%	20%

(8) **Risk on Uninsured Cash**

At times, the Organization maintains cash balances in excess of the Federal Deposit Insurance Corporation's insured maximum amount of \$100,000. There is a risk of loss in the event of bank failure.