SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE:

The purpose of this policy is to set forth the significant accounting policies that control the handling of the various funds of the Pennsylvania State Council of Lions Clubs.

GENERAL:

1. Nature of Operations
   Pennsylvania State Council of Lions Clubs (the Council), a not-for-profit organization, was formed to provide association administrative structure to advance the purposes and objectives of the International Association of Lions Clubs in Multiple District 14, Commonwealth of Pennsylvania . The membership of the Council shall consist of all the District Governors from each sub-district of Multiple District 14.

2. Financial Statement Presentation
   The Council's financial statement presentation follows the recommendations of Accounting Standards Codification (ASC) No. 958, "*Not-for-Profit Entities."* Under ASC No. 958, the Council is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Council is required to present the Statement of Cash Flows – Modified Cash Basis. Under the provisions of ASC No. 958, net assets and changes therein are classified and reported, based on the existence or absence of donor-imposed stipulations as follows:

   ***Unrestricted Net Assets* –**Net assets that are not subject to donor-imposed stipulations.

   Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that will be met either by action of the Council and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the Statements of Revenue Collected and Expenses Paid – Modified Cash Basis as net assets released from restrictions.

   Permanently Restricted Net Assets – Net assets subject to permanent donor-imposed stipulations that they be maintained permanently. Generally, the donors of such assets permit the Council to use all or part of the income earned on the assets for general or specific purposes.

3. Basis of Accounting
   The financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting

principles generally accepted in the United States of America, with the exception of transactions related to inventory. The Council reports on a cash basis and the International Convention Fund, the All State Band Fund, and the District Administration Fund report on the accrual method.

4. Cash and Cash Equivalents
Cash and cash equivalents consist of all highly liquid investment, including certificates of deposit, with original maturities of three months or less.

5. Accounts Receivable and Bad Debts
The sale of merchandise gives rise to accounts receivable. The Council charges off accounts receivable when the unpaid balance is deemed uncollectible by management.

6. Investments
In accordance with ASC No. 958-320, *"Not-for-Profit Entities Investments – Debt and Equity Securities,"* investments in debt and equity securities, with readily determinable fair values, are reported at the fair value. Any unrealized gain (loss) is reported as an increase or decrease in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor-imposed stipulations or by law. Any realized gain (loss) on the sale or disposal of investments, if any, are computed on a specific identifications basis and included as an increase or decrease in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor-imposed stipulations or by law.

7. Financial Instruments
The carrying amounts of cash and cash equivalents, receivables, accounts payable , accrued expenses, and other current liabilities approximate the fair value because of the short maturity of these items. Other financial instruments, including investments, for which the fair value measurement is recurring, are measured in accordance with an established hierarchy of inputs to the valuation techniques under accounting principles generally accepted in the United States of America. The methodology for establishing fair value is more fully described on the following pages.

8. Fair Value Measurements
ASC No. 820, *"Fair Value Measurements,"* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC No. 820 are described as follows:

  Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Council has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets of liabilities in active markets and inputs that are observable for the assets or liability, directly or indirectly, for substantially the full-term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

9. Inventory
Inventory is stated at the lower of cost or market value. Inventory items considered obsolete are charged to cost of goods sold – Merchandise.

10. Property and Equipment
Property and equipment are stated at cost. Depreciation is computed using the straight-line method of accounting over the estimated useful lives of the assets. Maintenance and repairs are charged to expenses as incurred and major renewals and improvements are capitalized.

11. Per Capita Dues
Per capita dues are invoiced to Lions Clubs of Pennsylvania twice per year and are based on the numbers of members per club as reported by LCI. The first billing is based on the reported membership as of June 30th and the second billing as of December 31st.

12. Federal Income Taxes
The Council is exempt from federal income taxes as an organization described under the Internal Revenue Code (IRC) Section 501(c) (4), except for net income derived from unrelated business activities, if any. ASC No. 740-10, recognize, present, and disclose uncertain tax provisions taken on its tax returns. The Council believes that it has appropriate support for tax provisions taken on its tax returns.

13. Use of Estimates
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from these estimates.