



LIONS AND THE LAW

You be the judge!

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Lions Clubs International



What Information Does the Legal Division Provide to Lions?

- LCI Program of Insurance
- Constitution & By-Laws, Board Policy, Parliamentary Rules
- Trademarks
- Dispute Resolution
- Corporate Governance

- Risk Assessment
- Insurance
- Use of Funds
- Legal Resources
- Questions & Answers



Lions Clubs



International

RISK ASSESSMENT

- Lions Clubs and Districts Engage in Activities that present legal liability to the clubs, districts, officers and individual Lions
- Special Events/ Fundraising
- Conferences/ Meetings
- Youth Camps / Youth Exchange
- Disaster Relief
- Health Screening

Evaluate whether the benefit of the activity outweighs the risks to the club, officers and members.

- Review existing safety procedures or precautions that are in place
- Develop procedures to minimize risk such as assigning a safety officer
- Consult local legal counsel for statutory/regulatory compliance
- Determine what insurance coverage exists and review whether additional insurance is needed



INSURANCE

- Commercial General Liability Provided to All Lions Clubs *Automatically*
- Policy by ACE American Insurance
 - \$1 Million liability coverage for bodily injury and/or property damage per occurrence
 - \$2 Million aggregate liability coverage
 - \$1,000 limited medical expense

- Coverage
 - The policy pays sums that the insured becomes legally obligated to pay as damages to third parties because of ***bodily injury*** or ***property damage*** arising out of or in the course of Lions functions and activities



- Coverage Examples

- Damage to third party property
- Products Liability
- Personal Injury and Advertising Injury (ex: defamation)
- Incidental Malpractice
- Medical payments (limited to \$1,000)

- Exclusions
 - Employment related liability
 - Automobile owned by a named insured
 - Watercraft and Aircraft
 - Pollution & Asbestos
 - Liquor Liability



- Claim Costs

- Costs of insurance program are paid by LCI as part of Lions annual dues
- Premium costs of the program are directly related to claims, therefore safety is a priority to reduce the amount of claims

- Claim Reporting
 - All claims, or occurrences which might lead to claims, should be reported to ACE Insurance.
 - **United States call (888) 217-8074**
 - **OUTSIDE United States: (866) 809-039**

 - **Do not admit liability or suggest compensation will be offered**

SUPPLEMENTAL INSURANCE OPTIONS



Effective October 1, 2010 Lions Clubs and Districts in the United States can apply to purchase Directors & Officers Liability, Crime / Fidelity (Bond), Additional Liability Insurance and Accident Insurance coverage at discounted rates.

- Directors and Liability Insurance
- Crime/Fidelity (Bond) Insurance
- Additional Liability Insurance
- Accident Insurance





USE OF FUNDS



- Funds raised from the public must be used for the benefit of the public and community in which the Lions Club serve.
- No part of the net earnings of funds raised from the public shall benefit any individual Lions member, or other private individual or entity.
- Use of funds must be transparent to the public in order to develop trust from the community in which you operate.



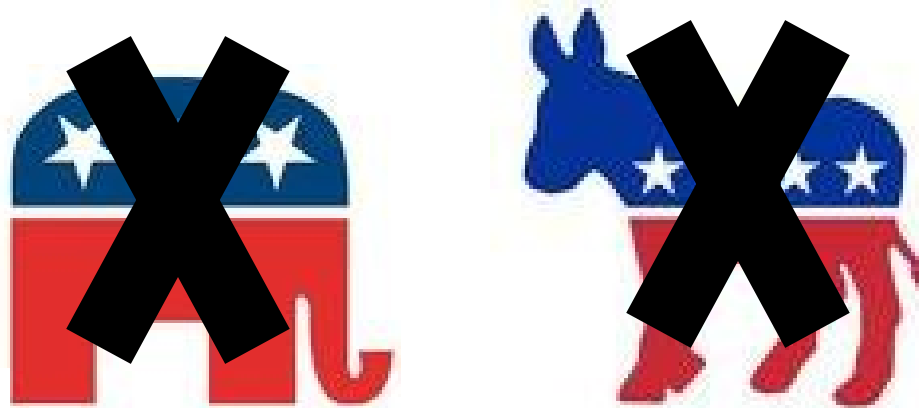
- Public/Activity Funds
 - Net earnings of income raised from activities open to the public, public contributions, bequests and money accumulated from invested public funds.

- Administrative Funds
 - Contributions from Lions through dues, fines, advertisement revenue, rental fees and other individual Lions contributions.

- Direct Expenses of Fundraiser
 - May be deducted from the proceeds of the fundraiser to replenish the administrative funds used to hold the fundraiser
- Lions Property
 - Property Used for Public Purposes
 - Expenses for operating and maintaining the property may be paid from public funds to support the use of the property for the public
 - Property Used for Administrative Purposes
 - Expenses for operating and maintaining the property must be paid from administrative funds if the use is for the benefit of the Lions
 - Mixed Use of Property
 - When Lions property is used for both public and administrative purposes, then a pro-rata percentage of the expenses may be paid from public funds related to the percentage of use of the property by the public

- Political Activity

- As a non-partisan charitable organization, Lions Clubs and Districts (single, sub- or multiple) cannot contribute public or administrative funds to support or endorse an elected official or candidate for local, state, federal or foreign office.





- A Lions Club (LC) raised funds from the public to build a community center. May the building be used for Lions meetings as well as for the community?
 - Yes, so long as the building is primarily used for the community, the club may still use the building for its own meetings.
- Our LC owns a building that was donated to it from the city. May we rent the building and keep the proceeds for our Administrative Account?
 - It depends on the circumstances in which the building was donated and whether there were any restrictions on the use of the building. However, it is possible to use the funds from rental income from a Lions owned building for use in the Administrative account.



- The LC owns a building and permits the local Boy Scouts (or other community related group) to use the building free of charge. May we use funds from the public account to clean the building after the use by such organizations?
 - Yes, you may use public funds to offset direct expenses for the public use of the building.
- Our LC owns a multi-use building where we hold public fundraisers, donate use of the building for other community organizations, charge rent for public events and hold Lions meetings. Can we use public funds to offset the cost of maintenance/upkeep?
 - Yes, you can use a pro-rata share of the public funds related to the percentage of the use of the building by the public.



- Our LC purchased directors/officers liability insurance with the crime/fidelity (Bond) coverage to protect the officers of the club and to protect the club from losses as a result of fraudulent acts. What funds may be used to purchase this insurance?
 - This coverage is considered an administrative expense and must be paid from administrative funds.
- Our LC purchased excess umbrella/liquor liability insurance for annual fundraiser. What funds may be used to purchase this insurance?
 - The insurance is a direct cost of the fundraiser and public funds may be used.



- Our LC has decided to create a separate Lions foundation. May we use public funds for the start-up costs of creating the legal entity?
 - No, this is an administrative expense and must be paid by administrative funds. However, public funds could be donated to and for the use of the Foundation to further the Foundation's own charitable purposes.
- Our LC has received a large bequest and would like to create a permanent endowment for scholarships. What funds can we use for the expenses related to setting up the endowment as well as ongoing fees for managing the endowment?
 - The operating expenses of the endowment may be paid from the corpus of the endowment.



- Our LC has purchased property insurance for our Clubhouse which is used as both for the benefit of the club and for the use by the public. May public funds be used for purchase of this insurance?
 - A pro-rata percentage of public funds related to the percentage of public use may be used to purchase the insurance. Example: if the building is used 60% of the time for the public, then 60% of the cost of the insurance may be paid by public funds.



- A LC member lost their house due to a fire. May we use public funds to assist them?
 - No. However, individual members may donate to the member personally to assist them.
- A LC members' sister recently lost their house in a flood. May we use public funds to assist her?
 - Use of public funds may not be used to personally benefit a Lion. So long as the member will not personally receive a financial benefit from the transaction, a family member who is not a dependent may be eligible to receive public funds from the club.



- Our town recently suffered a devastating flood and many of the Lions as well as the community at large suffered extensive loss to their homes. May we use public funds to assist the community which would include the affected Lions?
 - Use of public funds may be used to assist the community including affected Lions members in the case of disasters so long as the members meet the same eligibility criteria established for the disbursement of funds and assistance.
- A LC member needs a heart transplant. Can we raise funds in his name for financial hardship?
 - No – this is considered a private benefit to a member. However, individual members may donate to the member personally to assist him or ask others to donate personally to him.



- A LC member recently lost her job and is experiencing financial hardship. May we loan her money from public funds to assist her?
 - No. This is considered a private benefit to a member of the Lions.
- Our LC wants to establish a scholarship fund for members children/grandchildren. May we raise funds from the public to support this fund?
 - So long as the member will not personally receive a financial benefit from the transaction, a grandchild of a member who is not a dependent may be eligible to receive public funds from the Club. If the club wanted to establish a scholarship for the public at large, they could include family members as well as the public so long as the recipients meet the qualifications and are selected by a group outside of the control of the Lions Club.



- Our Club is holding a golf tournament and is selling tickets to Lions/public. Lions receive blue tickets and members of the public receive yellow tickets. May we use the proceeds from the blue tickets for our administrative funds?
 - No. Once the event is open to the public, all the proceeds are considered public funds.
- We are having a Lions dinner open to all Lions Clubs in the District. May we use the proceeds from the ticket sales to the dinner for our administrative funds?
 - Yes. As the event is limited to Lions members, the proceeds may be designated as administrative as well as public funds.



- Our LC is working the vending area at the local football game and is getting paid a percentage of the sales by the stadium. May we designate our payment as administrative funds?
 - Yes, so long as this is the agreement between the stadium and your club and no Lions name or logo is displayed in working the event through signs or clothing.
- May our LC accept a personal bequest from a member of the public (non-Lion) to be designated administrative funds?
 - Yes, if the bequest was received with specific directions to be used for the administrative purposes of the club.



- Our LC wants to raise money to build a new Lions clubhouse. If we advertise that the money is to be used for the new clubhouse and will be used for our administrative fund – is that okay?
 - No. If the clubhouse is going to be used primarily for the private use of the Lions, then the funds must come from the Lions and not the public, regardless of how it is advertised.
- A LC sponsors an antique show. It obtains the space and arranges for appraisers to value items brought in by Lions/non-Lions. Either a fee/flat fee per item will be charged for the appraisal and the Lions will receive a percentage of that fee. Where can the funds be used?
 - This is a Lions event for the public, so the net proceeds of the event are considered public funds.

- Public Funds

- If our LC invests our public funds, would we be able to use the interest for administrative costs?
 - No. The interest raised is considered public funds.
- How long can our LC invest public funds before spending it?
 - The funds should be spent within the same year received unless they have been designated for long-term projects.





- Our LC sells advertisements in our calendars. May we use the proceeds from the sale of advertisements as administrative funds?
 - Yes. However, the revenues from the sale of advertisements may be considered unrelated business income and may be subject to federal and/or state income tax. Please consult with a local tax or legal advisor for additional information regarding unrelated business income.
- Can the administrative/public funds be maintained in the same checking account?
 - Yes, so long as there is a detailed accounting of deposits and expenditures for each fund.



- Our LC sponsors a Leo Club. May we use public funds for the charter of the Leo Clubs?
 - Yes. A Leo Club is considered a project of the Lions Club and therefore the funds for supporting the Leo Club may be public funds.
- We want to send members of the Leo Club to the Int'l Convention. May we use public funds to offset the registration/travel expenses for the students?
 - No. This is considered a private benefit to Leos and Lions.

USE OF FUNDS – SUMMARY CHART



How Funds are Raised	Use for Public Projects? (Activity Account)	Use for Administrative Expenses? (Administrative Account)
Administrative: Dues, rental fees, fines, advertisement revenue	Yes	Yes
Public: Any fundraising event open to the public, public contributions and bequests	Yes	No*
Interest: Accumulated investments from money received from the public	Yes	No*

***Direct Expenses of Fundraiser:** Direct expenses of a public fundraiser may be deducted from the proceeds to replenish the Administrative Account for funds used to hold the fundraiser.

***Lions Property:** If the Lions Club (or District) owns property that is used to meet the needs of the community at large, a pro-rata percentage of the proceeds from funds raised through use of the property may be used toward the operating expenses of the property.

Lions Clubs



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LEGAL RESOURCES

- Governing Documents

- Constitution and By-Laws
- Board Policy, including Privacy, Trademarks & Ethics Policies

- Guidelines

- Dispute Resolution
- Elections
- Trademarks
- Use of Funds

- Insurance Information and Certificates

- Tax Resources

QUESTIONS?



- Lions Clubs International - Legal Division

- Web site: www.lionsclubs.org
- E-mail: legal@lionsclubs.org
- Call: 630-203-3847
- Fax: 630-571-0953

- Legal Division Staff

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