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**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**  
CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

## Independent Auditors' Report

Board of Directors  
Optimist International  
St. Louis, Missouri

### Report On The Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Optimist International and Optimist International Youth Programs Foundation (collectively, Optimist), both not-for-profit organizations, which comprise the consolidated statement of financial position as of September 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility For The Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Optimist International and Optimist International Youth Programs Foundation as of September 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*RubinBrown LLP*

February 22, 2021

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

Assets	September 30,	
	2020	2019
Cash and cash equivalents	\$ 662,294	\$ 669,008
Investments (Note 3)	1,085,661	416,935
Accounts receivable, net (Notes 4 and 8)	137,832	255,302
Due from Optimist International Foundation (Note 14)	62,805	3,362
Due from Canadian Children's Optimist Foundation (Note 14)	3,200	23,848
Prepaid expenses and other current assets (Note 8)	295,279	308,707
Mineral rights asset, net (Note 1)	67,031	71,906
Net pension asset (Note 10)	945,011	912,256
Assets restricted for Board-designated endowment (Notes 3 and 9)	118,563	113,705
Property held for sale (Note 1)	197,756	197,756
Property and equipment, net (Notes 5, 6, 7 and 8)	55,707	79,767
<b>Total Assets</b>	<b>\$ 3,631,139</b>	<b>\$ 3,052,552</b>

**Liabilities And Net Assets**

**Liabilities**

Accounts payable	\$ 62,393	\$ 154,561
Accrued expenses and other liabilities	130,053	138,666
Accrued paid time off	179,414	255,992
Current portion of capital lease obligations (Note 6)	17,586	21,981
Current portion of debt (Note 7)	112,426	36,284
Due to districts	77,337	70,807
Deferred revenue	75,309	56,917
Long-term portion of capital lease obligations (Note 6)	38,060	55,646
Long-term portion of debt (Note 7)	672,469	393,800
<b>Total Liabilities</b>	<b>1,365,047</b>	<b>1,184,654</b>

**Net Assets Without Donor Restrictions**

Undesignated - general	1,949,712	1,554,297
Board-designated endowment (Note 9)	118,563	113,705
Net investment in property and equipment	197,817	199,896
<b>Total Net Assets Without Donor Restrictions</b>	<b>2,266,092</b>	<b>1,867,898</b>
<b>Total Liabilities And Net Assets</b>	<b>\$ 3,631,139</b>	<b>\$ 3,052,552</b>

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

	For The Years Ended September 30,	
	2020	2019
<b>Revenues</b>		
Dues and fees	\$ 3,423,287	\$ 3,542,336
Processing fees	70,853	111,198
Charter fees	19,757	29,279
Life membership fees	29,725	41,638
JOI fees	103,811	94,383
International convention	64,979	337,666
Youth Programs Foundation revenues (Note 11)	79,472	1,289,630
Optimist International Foundation grant revenue (Note 14)	96,094	116,722
Income from sales of supplies	12,197	21,550
Income from royalties	20,928	23,932
Other	205,189	238,801
<b>Total Revenues</b>	<b>4,126,292</b>	<b>5,847,135</b>
<b>Expenses</b>		
Allocated dues to districts	39,438	32,362
Club insurance premiums	512,743	499,991
Growth and member services	323,895	504,785
Club programs	70,178	50,479
Membership development	271,730	322,058
Communication	242,430	296,862
Meeting services	148,233	173,516
International convention	81,902	339,114
Canadian office services	410,358	450,017
Building maintenance	250,958	251,114
Finance, administration, information services and facilities	904,559	869,319
Loss on uncollectible accounts receivable	74,408	67,757
Executive director department	292,961	293,880
Board and officers	103,436	158,943
Committees	23,117	76,727
JOI program	93,360	93,843
Youth Programs Foundation expenses (Note 11)	190,853	1,179,081
Depreciation, amortization and depletion (Notes 1 and 5)	38,410	55,892
Interest expense (Notes 6 and 7)	25,480	27,908
<b>Total Expenses</b>	<b>4,098,449</b>	<b>5,743,648</b>
<b>Excess Of Revenues Over Expenses</b>	<b>27,843</b>	<b>103,487</b>
<b>Loss On Foreign Currency Translation (Note 1)</b>	<b>(9,301)</b>	<b>(24,279)</b>
<b>Other Income (Note 15)</b>	<b>750,000</b>	<b>—</b>
<b>Other Expenses (Note 15)</b>	<b>(371,087)</b>	<b>(158,504)</b>
<b>Other Components Of Net Periodic Pension Cost (Note 10)</b>	<b>55,649</b>	<b>107,683</b>
<b>Pension Plan Changes Other Than Net Periodic Benefit Cost (Note 10)</b>	<b>(54,910)</b>	<b>(655,728)</b>
<b>Increase (Decrease) In Net Assets</b>	<b>398,194</b>	<b>(627,341)</b>
<b>Net Assets - Beginning Of Year</b>	<b>1,867,898</b>	<b>2,495,239</b>
<b>Net Assets - End Of Year</b>	<b>\$ 2,266,092</b>	<b>\$ 1,867,898</b>

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
For The Year Ended September 30, 2020**

	Program Services					Total	General Management	Membership Development	Total
	Club Programs	Youth Programs	Education And Community	Meetings					
Salaries and wages	\$ 383,135	\$ 89,725	\$ 401,998	\$ 166,357	\$ 1,041,215	\$ 699,499	\$ 101,517	\$ 1,842,231	
Payroll taxes and employee benefits	78,888	21,909	85,304	37,774	223,875	200,205	23,970	448,050	
Total salaries and related expenses	462,023	111,634	487,302	204,131	1,265,090	899,704	125,487	2,290,281	
Awards	7,648	7,757	—	—	15,405	—	1,679	17,084	
Bad debt expense	—	—	—	—	—	74,408	—	74,408	
Bank/credit card fees	21,239	—	40	3,836	25,115	19,171	—	44,286	
Canadian taxes	1,100	—	345	77	1,522	13,659	115	15,296	
Conferences, conventions and meetings	110	—	5,425	83,711	89,246	7,618	1,212	98,076	
Depreciation, amortization and depletion	11,920	—	8,656	2,316	22,892	13,137	2,381	38,410	
Dues to districts/friends	85,325	—	—	—	85,325	—	—	85,325	
Golf tournament expenses	—	2,854	—	—	2,854	2,212	—	5,066	
Information technology	—	—	16,356	—	16,356	59,534	—	75,890	
Insurance	477,943	—	—	—	477,943	34,800	—	512,743	
Interest	—	—	—	—	—	25,480	—	25,480	
Legal settlement costs	—	—	—	—	—	371,087	—	371,087	
Occupancy	49,604	—	39,137	9,868	98,609	55,928	8,994	163,531	
Postage/shipping	27,641	1,003	59,297	6,889	94,830	4,750	1,499	101,079	
Printing	21,696	—	37,773	—	59,469	37,495	3,989	100,953	
Professional fees	—	—	—	—	—	91,008	—	91,008	
Supplies, office and other expenses	1,355	1,883	51,168	1,364	55,770	3,716	107	59,593	
Telephone	8,688	2,873	8,352	3,499	23,412	19,238	2,424	45,074	
Travel - Junior Golf	—	37,311	—	—	37,311	8,441	—	45,752	
Travel	17,301	—	8,350	58,044	83,695	96,623	28,796	209,114	
	\$ 1,193,593	\$ 165,315	\$ 722,201	\$ 373,735	\$ 2,454,844	\$ 1,838,009	\$ 176,683	\$ 4,469,536	

See the notes to consolidated financial statements.

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**For The Year Ended September 30, 2019**

	Program Services					Total	Management	Development	Membership	Total
	Club Programs	Youth Programs	Education And Community	Meetings	General					
Salaries and wages	\$ 418,972	\$ 143,410	\$ 365,346	\$ 181,891	\$ 1,109,619	\$ 672,417	\$ 96,277	\$ 1,878,313		
Payroll taxes and employee benefits	96,196	25,525	79,844	50,729	252,294	185,376	25,818	463,488		
Total salaries and related expenses	515,168	168,935	445,190	232,620	1,361,913	857,793	122,095	2,341,801		
Awards	59,449	13,707	—	—	73,156	—	10,491	83,647		
Bad debt expense	—	—	—	—	—	67,757	—	67,757		
Bank/credit card fees	25,365	—	—	7,802	33,167	54,402	—	87,569		
Canadian taxes	1,033	—	962	160	2,155	167,405	269	169,829		
Conferences, conventions and meetings	3,044	—	15,831	401,448	420,323	5,670	6,738	432,731		
Depreciation, amortization and depletion	17,438	—	10,619	4,974	33,031	19,674	3,186	55,891		
Dues to districts/friends	93,882	239	—	—	94,121	—	—	94,121		
Golf tournament expenses	—	29,813	—	—	29,813	4,537	—	34,350		
Information technology	—	—	13,158	—	13,158	47,704	—	60,862		
Insurance	466,985	—	—	—	466,985	33,006	—	499,991		
Interest	—	—	—	—	—	27,908	—	27,908		
Occupancy	53,195	—	32,395	15,174	100,764	60,015	9,718	170,497		
Postage/shipping	33,417	7,316	113,330	3,561	157,624	4,788	2,033	164,445		
Printing	33,463	12,414	65,061	2,051	112,989	25,837	3,744	142,570		
Professional fees	—	—	—	—	—	68,392	—	68,392		
Supplies, office and other expenses	1,751	4,414	54,639	3,826	64,130	4,516	410	69,056		
Telephone	8,521	5,265	7,352	3,516	24,654	18,932	2,289	45,875		
Travel - Junior Golf	—	855,256	—	—	855,256	19,657	—	874,913		
Travel	82,941	—	46,875	120,011	249,827	128,034	32,086	409,947		
	\$ 1,395,652	\$ 1,097,359	\$ 805,412	\$ 794,643	\$ 4,093,066	\$ 1,616,027	\$ 193,059	\$ 5,902,152		

See the notes to consolidated financial statements.



**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	For The Years Ended September 30,	
	2020	2019
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ 398,194	\$ (627,341)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation, amortization and depletion	38,410	55,892
Imputed interest on capital lease obligations	3,499	5,462
Loss on foreign currency translation	9,301	24,279
Changes in assets and liabilities:		
Accounts receivable	116,306	61,381
Prepaid expenses and other current assets	12,576	(49,024)
Net pension asset	(32,755)	516,029
Accounts payable	(92,511)	93,772
Accrued expenses and other liabilities	(8,534)	(673)
Accrued paid time off	(76,088)	9,832
Deferred revenue	18,865	(12,181)
<b>Net Cash Provided By Operating Activities</b>	<b>387,263</b>	<b>77,428</b>
<b>Cash Flows From Investing Activities</b>		
(Increase) decrease in due from Optimist International Foundation	(59,443)	27,687
(Increase) decrease in due from Canadian Children's Optimist Foundation	20,722	(8,796)
Proceeds from sale of investments	—	303,040
Purchases of investments	(678,672)	(9,674)
Purchases of property and equipment	(9,491)	(25,773)
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>(726,884)</b>	<b>286,484</b>
<b>Cash Flows From Financing Activities</b>		
Increase (decrease) in due to districts	6,693	(11,036)
Payments on capital lease obligations	(25,480)	(36,264)
Proceeds from Paycheck Protection Program loan	391,095	—
Repayments of promissory notes payable	(36,284)	(34,518)
Borrowings on line of credit	150,000	—
Repayments on line of credit	(150,000)	—
<b>Net Cash Provided By (Used In) Financing Activities</b>	<b>336,024</b>	<b>(81,818)</b>
<b>Effect Of Exchange Rate Changes On Cash</b>	<b>(3,117)</b>	<b>(6,910)</b>
<b>Net Increase (Decrease) In Cash And Cash Equivalents</b>	<b>(6,714)</b>	<b>275,184</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>669,008</b>	<b>393,824</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 662,294</b>	<b>\$ 669,008</b>
<b>Supplemental Cash Flow Information</b>		
Interest paid	\$ 21,981	\$ 22,446

# OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS September 30, 2020 And 2019

### 1. Summary Of Significant Accounting Policies

#### **Principles Of Consolidation**

The accompanying consolidated financial statements include the accounts of Optimist International and Optimist International Youth Programs Foundation (Youth Programs) (collectively, Optimist). Youth Programs was incorporated during fiscal year 1996 to sponsor activities and programs which foster the development of minors. Youth Programs is controlled by Optimist International, resulting in consolidation in these financial statements. All transactions and balances between Optimist International and Youth Programs have been eliminated in consolidation.

The accounts of the 47 administrative districts and 2,193 and 2,279 clubs for the years ended September 30, 2020 and 2019, respectively, are not combined with the accounts of Optimist, since the administrative districts and clubs control their own assets.

#### **Basis Of Accounting**

The accompanying consolidated financial statements of Optimist have been prepared on the accrual basis of accounting.

#### **Basis Of Presentation**

Optimist follows accounting standards set by the Financial Accounting Standards Board (FASB). Financial statements of not-for-profit organizations measure net assets and net asset activity based on the absence or existence of donor imposed restrictions. Net assets are reported as without donor restrictions and with donor restrictions. Optimist does not have any net assets with donor restrictions at September 30, 2020 or 2019.

#### **Estimates And Assumptions**

The preparation of consolidated 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 consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

#### **Operating And Nonoperating Activity**

Operating results in the consolidated statement of activities reflect all transactions except foreign currency translation adjustments, pension plan adjustments, and nonrecurring revenues and expenses.

## OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

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### Notes To Consolidated Financial Statements (*Continued*)

#### **Cash And Cash Equivalents**

Optimist considers all temporary cash investments with an original maturity date less than three months from the date of purchase as cash equivalents.

Optimist invests its cash with financial institutions with strong credit ratings. At times, such balances may be in excess of Federal Deposit Insurance Corporation insurance limits of \$250,000 per financial institution and Canada Deposit Insurance Corporation insurance limits of \$100,000 Canadian dollars per financial institution. At September 30, 2020, approximately \$380,000 is uninsured.

#### **Investments And Assets Restricted For Board-Designated Endowment**

Investments are reported at fair value based on quoted market prices of major securities exchanges, except for investments in guaranteed investment certificates and certificates of deposit, which are reported at cost plus accrued interest, which approximates fair value.

Assets restricted for Board-designated endowment include an interest in investments held by Optimist International Foundation.

Gains and losses on investments are determined on a specific cost identification method. Unrealized gains and losses are determined based on year-end fair value fluctuations.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the consolidated statement of financial position.

#### **Accounts Receivable**

Accounts receivable are stated at the amount that management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to the change in net assets and a credit to the valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

## OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

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Notes To Consolidated Financial Statements (*Continued*)

### **Property And Equipment**

Property and equipment are carried at cost, less accumulated depreciation and amortization computed using the straight-line method over periods ranging from 5 to 40 years.

Optimist reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. No impairment loss has been recognized in 2020 or 2019.

### **Property Held For Sale**

Property held for sale includes land and building that Optimist utilizes in operations but was available for sale at September 30, 2020 and 2019. This property is stated at cost, including improvements, less accumulated depreciation through the date the property was available for sale.

### **Mineral Rights Asset**

Optimist received a donation of mineral rights below the surface of 13 acres of land in Midland, TX. The mineral rights have been valued at \$7,500 per acre, for a total value of \$97,500. These mineral rights are being depleted over an estimated extraction period of 20 years using a straight-line method. Depletion expense amounted to \$4,875 in both 2020 and 2019. Accumulated depletion on these mineral rights was \$30,469 and \$25,594 at September 30, 2020 and 2019, respectively.

### **Forgivable Note Payable**

Optimist International has a loan that is part of the Paycheck Protection Program (PPP) established under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and administered by the U.S. Small Business Administration (SBA). In accordance with the requirements of the CARES Act, Optimist International expects to use the proceeds from the loan exclusively for qualified expenses under the PPP, including payroll costs and rent and utility costs, as further detailed in the CARES Act and applicable guidance issued by the SBA. Optimist International considers the PPP loan to be debt, subject to the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 470, *Debt*. Optimist International will not impute additional interest at a market rate as transactions where interest rates are prescribed by governmental agencies are not subject to the accounting guidance on imputing interest.

## OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

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### Notes To Consolidated Financial Statements (*Continued*)

The loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the debtor has been legally released or (2) the debtor pays off the loan to the creditor. Once the loan is, in part or wholly, forgiven and legal release is received, Optimist International will reduce the liability by the amount forgiven and record a gain on extinguishment.

Optimist International intends to apply for forgiveness of all principal and interest, in an amount equal to the sum of qualified expenses under the PPP incurred up to 24 weeks following initial disbursement. Notwithstanding Optimist International's expected eligibility for forgiveness, no assurance can be given that Optimist will obtain forgiveness of all or any portion of the amounts due.

#### **Revenues**

Revenues from member dues, insurance assessments and magazine subscriptions are recognized as earned ratably over the fiscal year. Any payments received in advance are recorded as deferred revenue. Life membership fees are recognized as revenue when received.

Grants from Optimist International Foundation and others are recognized in the year that the pledge of support is made. Conditional pledges, that is, those with a measurable or other barrier, are recognized as support when the conditions upon which they depend are met.

#### **Public Support**

Youth Programs reports gifts of cash and other assets as with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the consolidated statement of activities as net assets released from restrictions. Youth Programs reports donor restricted contributions as without donor restriction if Youth Programs meets the donor restrictions in the same period as receipt of the contributions.

## OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

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### Notes To Consolidated Financial Statements (*Continued*)

#### **Foreign Exchange**

The accounts held in Canadian funds, primarily cash and cash equivalents, investments, accounts receivable, accounts payable and accrued expenses, are included in the consolidated financial statements after translation at appropriate rates of exchange. Gains or losses resulting from such translation are included in gain (loss) on foreign currency translation on the consolidated statement of activities. Translation loss was \$9,301 and \$24,279 at September 30, 2020 and 2019, respectively.

#### **Description Of Program Services And Supporting Activities**

The following program services and supporting activities are included in the accompanying consolidated financial statements:

Programs - Club Programs - Optimist International is an association which provides operational support to 2,193 Optimist Clubs around the world dedicated to “bringing out the best in youth, in their communities, and in themselves.” Adult volunteers join Optimist Clubs to conduct positive service projects in their communities aimed at providing a helping hand to youth. With their upbeat attitude, Optimist Club members help empower young people to be the best that they can be. Each Optimist Club determines the needs of the young people in its community and conducts programs to meet those needs. Every year, optimists conduct 65,000 service projects and serve well over five million people.

Programs - Youth Programs - Youth Programs provide educational, cultural, literary, recreational and social benefits to minors through the sponsorship of activities and programs which foster the development of good character and sportsmanship and the education and cultural development of minors, and to prevent and alleviate the cruelty to and abuse of minors.

Programs - Education and Community - Includes the costs of supporting present and future leadership by providing education and community support for Optimist members through various training opportunities throughout the fiscal year. The quarterly magazine is an educational tool used by Optimist to educate its members on the value of community service. Each member receives a copy of the magazine. The magazine contains articles, international goodwill, fundraising, leadership development, youth leadership, and a variety of other topics that encourage members on the benefits of performing community service in their local communities that benefit youth.

## OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

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### Notes To Consolidated Financial Statements (*Continued*)

Another emphasis is the development of leadership educational materials for Optimist's clubs, districts and international officers. Optimist focuses efforts on educating club officers on how to lead and operate a club, educate Governors on how to lead and operate a District and to educate the International Board of Directors on how to lead the international organization. With effective leadership at all levels, the mission and function of Optimist Clubs and Optimist "to bring out the best in youth, their communities and themselves" can be carried out effectively.

For over 100 years, Optimist has been building and developing leaders at all levels, offering a unique brand of leadership through the service to others. Optimist sponsors various programs for youth that can help change their lives. The Junior Optimist International (JOI) Program provides opportunities for youth to individually and collectively participate in community service activities, develop leadership abilities, learn respect for the law, work for international accord and friendship among all people, and build an active interest in good government and civic affairs.

Programs - Meetings - Includes the costs for the International Convention, which is held annually and brings together over 1,000 members and guests to inspire and inform of Optimist's programs and activities during the past year and highlight upcoming activities. Workshops, educational sessions, dynamic educational speakers, and motivational events are the focus of the event.

General Management - Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of Optimist's program strategy; secure proper administrative functioning of the Board of Directors; maintain competent legal services for the program administration of Optimist; provide advertising and marketing support for admissions and special programs; provide membership support; and manage the financial and budgetary responsibilities of Optimist.

Membership Development - Includes the costs of soliciting prospective members and membership dues, strengthening member relations and other similar activities.

## OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

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### Notes To Consolidated Financial Statements (*Continued*)

#### **Functional Expense Allocation**

Expenses are charged to programs and supporting activities on the basis of management's estimates of how resources are utilized. Salaries and related expenses are charged to program services and supporting activities on the basis of time and expense studies. Expenses such as depreciation and amortization, insurance, and occupancy are charged to program services and supporting services on the basis of square footage. Other expenses are charged to program services and supporting services based on the nature of the expenditure. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Optimist.

#### **Recent Accounting Pronouncements**

During 2020, Optimist adopted Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, which provides enhanced guidance to assist organizations in evaluating whether transactions should be accounted for as contributions or reciprocal transactions. The implementation did not have a material impact on Optimist's consolidated financial statements.

#### **Tax Status**

Optimist International has received a favorable determination letter from the Internal Revenue Service and is exempt from federal income taxes on related, exempt income under the provisions of Code Section 501(c)(4). Youth Programs has received a favorable determination letter from the Internal Revenue Service for exemption from federal income taxes on related, exempt income under the provisions of Code Section 501(c)(3).

## **2. Operations**

The purpose of Optimist International is to foster an optimistic way of life through a network of Optimists, dedicated to the full development of their potential in order to provide ever-expanding service to youth, the community and the world.

Optimist is supported primarily by membership dues and fees.



**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

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Notes To Consolidated Financial Statements (Continued)

**3. Investments And Assets Restricted For Board-Designated Endowment**

Investments consist of:

	<u>2020</u>	<u>2019</u>
Guaranteed investment certificates	\$ 1,005,597	\$ 339,015
Certificate of deposit	80,064	77,920
	<u>\$ 1,085,661</u>	<u>\$ 416,935</u>

Investments are carried at cost plus accrued interest, which approximates fair value.

Assets restricted for Board-designated endowment are comprised of Optimist's interest in the investments held by Optimist International Foundation. \$118,563 and \$113,705 was held at September 30, 2020 and 2019, respectively. The composition of these investments is a portfolio of mutual funds, including growth funds, growth and income funds, balanced funds, and fixed income funds.

In accordance with generally accepted accounting principles, the major categories of financial assets and liabilities must be measured at fair value on a recurring basis during the years ended September 30, 2020 and 2019 using quoted prices in active markets (Level 1); significant observable inputs for similar assets and liabilities (Level 2); and significant unobservable inputs (Level 3). Investments held by Optimist International Foundation carried at fair value above are measured as Level 1 for fair value purposes.

During 2020 and 2019, there were no changes in the methods and/or assumptions utilized to derive the fair value of Optimist's assets.

**4. Accounts Receivable**

Accounts receivable consist of:

	<u>2020</u>	<u>2019</u>
Accounts receivable from clubs	\$ 208,999	\$ 295,618
Other receivables	41,456	41,749
Allowance for doubtful accounts	(112,623)	(82,065)
	<u>\$ 137,832</u>	<u>\$ 255,302</u>

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

Notes To Consolidated Financial Statements (*Continued*)

**5. Property And Equipment**

Property and equipment consist of:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 1,211,939	\$ 1,271,072
Less: Accumulated depreciation and amortization	1,156,232	1,191,305
	<u>\$ 55,707</u>	<u>\$ 79,767</u>

Depreciation and amortization expense amounted to \$33,535 and \$51,017 for the years ended September 30, 2020 and 2019, respectively.

**6. Capital Lease Obligations**

Certain leases in which Optimist is the lessee are considered to be equivalent to installment purchases for purposes of accounting presentation. Assets under the capital leases are capitalized using interest rates appropriate at the inception of the leases and amortized over a five-year period. Amortization of the leases is included in depreciation, amortization and depletion expense on the consolidated statement of activities. Assets recorded under the capital leases at September 30, 2020 and 2019 are valued at \$79,526 and \$144,526, respectively, less accumulated amortization of \$41,624 and \$89,657, in 2020 and 2019, respectively.

Future minimum lease payments related to these leases as of September 30, 2020 are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 20,088
2022	20,088
2023	20,088
Total minimum obligations	60,264
Less: Amounts representing interest	4,618
Present value of minimum lease payments	55,646
Less: Current portion	17,586
	<u>\$ 38,060</u>

For the years ended September 30, 2020 and 2019, interest expense on the capital lease obligations amounted to \$3,499 and \$5,462, respectively.

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

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Notes To Consolidated Financial Statements (*Continued*)

**7. Debt**

**Promissory Note Payable**

On April 1, 2008, Optimist International entered into a promissory note agreement with Optimist International Foundation for the purpose of funding Optimist International's defined benefit pension plan. The promissory note, which is secured by a deed of trust and security agreement on Optimist International's office building in St. Louis, Missouri, had an original principal balance of \$730,000, an interest rate of 6.97% and matures in 2028. Commencing on December 31, 2008 and on each December 31 thereafter, the interest rate for the calendar year was to be adjusted to equal the U.S. Aggregate Index for a 12-month period as published by Barclays Capital. Beginning January 1, 2014, the terms of the promissory note were modified and the interest rate changed to a fixed rate of 5% per annum. The promissory note does not have a prepayment penalty. As of September 30, 2020 and 2019, the promissory note had an outstanding balance of \$393,800 and \$430,084, respectively.

For the years ended September 30, 2020 and 2019, interest expense related to the promissory note amounted to \$20,680 and \$22,446, respectively.

**Paycheck Protection Program Loan**

In May 2020, Optimist International entered into a Paycheck Protection Program loan in the amount of \$391,095 with a local bank. This loan was issued pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act's Paycheck Protection Program and is unsecured. Amounts outstanding under this loan will bear interest at a rate of 1%. During the period beginning April 2020 and ending on the ten-month anniversary of the end of the covered period of the loan (the deferral period), interest on the outstanding principal balance will accrue, but neither principal nor interest shall be due or payable. At the end of the deferral period, the outstanding principal that is not forgiven under the Paycheck Protection Program will convert to a term loan (the conversion balance). Optimist International can apply to the bank for forgiveness of the amount due on the loan in an amount based on the sum of the following costs incurred by Optimist International during the eight-week to twenty four-week period beginning on the date of the first disbursement of the loan: payroll costs, payments of interest on a covered mortgage obligation, covered rent obligations, and covered utilities.

The first payment on the term loan is due ten months following the end of the loan's covered period. On the first payment date and each month thereafter until the second anniversary of the date of the loan, monthly principal and interest payments of \$39,750 are due. A final payment of unpaid principal plus accrued interest is due at maturity in May 2022.

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

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Notes To Consolidated Financial Statements (*Continued*)

The future minimum principal payments on debt are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 112,426
2022	356,902
2023	42,143
2024	44,299
2025	46,566
Thereafter	182,559
	<u>\$ 784,895</u>

**8. Line Of Credit**

Optimist maintains a line-of-credit agreement with a financial institution. Optimist is permitted to borrow up to \$150,000 on the line of credit. The line of credit bears interest at LIBOR plus 4.25% (4.68% at September 30, 2020) and terminates on April 8, 2021. The line of credit is secured by an interest in Optimist's inventory, accounts receivable and equipment.

As of September 30, 2020 and 2019, no amount is due under the line-of-credit agreement. \$1,301 of interest expense was incurred in 2020. No interest expense was incurred in 2019.

**9. Board-Designated Endowment Fund**

As required by accounting standards, assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Optimist's endowment is comprised of funds designated by the Board of Directors to be held in perpetuity. Therefore, all endowment funds are considered without donor restrictions.

Optimist has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results favorable to returns of benchmarks comparable for each particular investment vehicle.

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

Notes To Consolidated Financial Statements (*Continued*)

Examples of such benchmarks include:

- S&P 500
- Russell 2000
- MSCI EAFE
- Barclay's Aggregate Bond
- Blend of indices

To satisfy its long-term rate-of-return objectives, Optimist relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Optimist targets a diversified asset allocation that places a greater emphasis on equity and bond mutual funds to achieve its long-term return objectives within prudent risk constraints.

Optimist has a policy of appropriating for distribution each year the lesser of 5% (net of fees) of the fund's fair value or 90% of the amount earned by the fund (net of fees) during the previous fiscal year. In establishing this policy, Optimist considered the long-term expected return on its endowments.

Optimist had the following endowment funds without donor restrictions:

	<u>2020</u>	<u>2019</u>
Board-designated endowment funds	\$ 118,563	\$ 113,705

Changes in the endowment fund are as follows:

	<u>Without Donor Restrictions</u>
Balance - October 1, 2018	\$ 105,574
Contributions to Board-designated endowment	4,355
Investment return	5,278
Appropriations	<u>(1,502)</u>
Balance - September 30, 2019	113,705
Contributions to Board-designated endowment	675
Investment return	<u>4,183</u>
Balance - September 30, 2020	<u>\$ 118,563</u>

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

Notes To Consolidated Financial Statements (*Continued*)

**10. Retirement Plans**

**Defined Benefit Pension Plans**

Optimist has a noncontributory defined benefit pension plan (pension plan) covering all U.S. employees who qualified for the plan as of September 30, 1997.

Additionally, a nonqualified supplemental pension plan (supplemental plan) was adopted in 1992. The supplemental plan originally covered seven employees and is intended to provide a supplement to the employees' retirement benefits, which were reduced as a result of certain Employee Retirement Income Security Act of 1974 (ERISA) amendments.

Pension cost is determined based upon years of service and compensation levels. Pension cost was determined using the projected unit credit method. Prior year service costs are amortized over 15 years, which represents the average remaining service period of employees. The pension plan and supplemental plan are measured for the current fiscal year at October 1, 2019. Optimist's funding policy is to make, as a minimum contribution, the equivalent of the minimum required by the ERISA. No contributions were made to the pension plan in 2020 or 2019. Benefit accounts were frozen as of September 30, 1997.

The following tables summarize the accumulated benefit obligation, the fair value of plan assets and the funded status at the measurement dates of September 30, 2020 and 2019, as estimated by the consulting actuary:

	2020		
	Defined Benefit Pension Plan	Supplemental Pension Plan	Total Pension Plans
<b>Change In Benefit Obligation</b>			
Benefit obligation at beginning of year	\$ 2,136,749	\$ 178,599	\$ 2,315,348
Interest cost	96,461	7,362	103,823
Actuarial loss	120,544	24,195	144,739
Benefits paid	(210,154)	(32,016)	(242,170)
Benefit obligation at end of year	2,143,600	178,140	2,321,740
<b>Change In Plan Assets</b>			
Fair value of plan assets at beginning of year	3,227,604	—	3,227,604
Actual return on plan assets	249,301	—	249,301
Employer contribution	—	32,016	32,016
Benefits paid	(210,154)	(32,016)	(242,170)
Fair value of plan assets at end of year	3,266,751	—	3,266,751
Funded status	\$ 1,123,151	\$ (178,140)	\$ 945,011

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

Notes To Consolidated Financial Statements (*Continued*)

	2019		
	Defined Benefit Pension Plan	Supplemental Pension Plan	Total Pension Plans
<b>Change In Benefit Obligation</b>			
Benefit obligation at beginning of year	\$ 1,812,538	\$ 165,297	\$ 1,977,835
Interest cost	98,413	8,266	106,679
Actuarial loss	438,910	37,052	475,962
Benefits paid	(213,112)	(32,016)	(245,128)
<b>Benefit obligation at end of year</b>	<b>2,136,749</b>	<b>178,599</b>	<b>2,315,348</b>
<b>Change In Plan Assets</b>			
Fair value of plan assets at beginning of year	3,406,120	—	3,406,120
Actual return on plan assets	34,596	—	34,596
Employer contribution	—	32,016	32,016
Benefits paid	(213,112)	(32,016)	(245,128)
<b>Fair value of plan assets at end of year</b>	<b>3,227,604</b>	<b>—</b>	<b>3,227,604</b>
<b>Funded status</b>	<b>\$ 1,090,855</b>	<b>\$ (178,599)</b>	<b>\$ 912,256</b>

The net funded status of the pension plan and the supplemental pension plan has been recorded as an asset on Optimist's consolidated statement of financial position at September 30, 2020 and 2019.

The supplemental pension plan is currently unfunded and will be funded by Optimist as benefits are due to participants. Expected contributions in 2021 are \$30,000.

The following is a summary of the components of net periodic pension cost for the years ended September 30, 2020 and 2019:

	2020		
	Defined Benefit Pension Plan	Supplemental Pension Plan	Total Pension Plans
Interest cost	\$ 96,461	\$ 7,362	\$ 103,823
Expected return on plan assets	(218,512)	—	(218,512)
Net amortization	52,712	6,328	59,040
Other components of net periodic pension cost	(69,339)	13,690	(55,649)
Service cost	—	—	—
	<b>\$ (69,339)</b>	<b>\$ 13,690</b>	<b>\$ (55,649)</b>

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

Notes To Consolidated Financial Statements (*Continued*)

	2019		
	Defined Benefit Pension Plan	Supplemental Pension Plan	Total Pension Plans
Interest cost	\$ 98,413	\$ 8,266	\$ 106,679
Expected return on plan assets	(231,398)	—	(231,398)
Net amortization	15,456	1,580	17,036
Other components of net periodic pension cost	(117,529)	9,846	(107,683)
Service cost	—	—	—
	\$ (117,529)	\$ 9,846	\$ (107,683)

Components of net periodic pension cost other than service cost are presented separately in the consolidated statement of activities, while any service cost would be included within employee benefits.

Amounts recognized on the consolidated statement of activities for pension-related changes other than net periodic pension cost consist of the following:

	2020		
	Defined Benefit Pension Plan	Supplemental Pension Plan	Total Pension Plans
Current year actuarial gain	\$ (52,712)	\$ (6,328)	\$ (59,040)
Amortization of actuarial loss	89,755	24,195	113,950
	\$ 37,043	\$ 17,867	\$ 54,910

	2019		
	Defined Benefit Pension Plan	Supplemental Pension Plan	Total Pension Plans
Current year actuarial gain	\$ (15,456)	\$ (1,580)	\$ (17,036)
Amortization of actuarial loss	635,712	37,052	672,764
	\$ 620,256	\$ 35,472	\$ 655,728



**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

Notes To Consolidated Financial Statements (*Continued*)

Six former employees of Optimist International Foundation are also participants in the pension plan. Optimist International Foundation has agreed to fund a pro-rata portion (for the former employees of Optimist International Foundation as a percentage of the total participants in the pension plan) of the contributions made to the plan by Optimist on an annual basis. Pursuant to the terms of the agreement, Optimist International Foundation is only liable for the portion of the annual contribution as calculated by Optimist and does not have any obligation, guaranty or warranty to fund any current or future deficits or shortfalls in the pension plan. Conversely, Optimist International Foundation does not retain any residual rights to receive any excess assets remaining in the pension plan upon liquidation. There were no contributions from Optimist International Foundation in 2020 or 2019.

The following table sets forth the weighted average assumptions used to determine net period pension cost and benefit obligations as of September 30, 2020 and 2019:

	2020		2019	
	Defined Benefit Pension Plan	Supplemental Pension Plan	Defined Benefit Pension Plan	Supplemental Pension Plan
Weighted-average assumptions used to determine benefit obligations at September 30:				
Discount rate:	3.00%	3.00%	4.75%	4.50%
Rate of compensation increase	N/A	N/A	N/A	N/A
Weighted-average assumptions used to determine net periodic benefit costs for the years ended September 30:				
Discount rate	3.00%	3.00%	4.75%	4.50%
Expected long-term return on plan assets	7.00%	N/A	7.00%	N/A
Rate of compensation increase	N/A	N/A	N/A	N/A

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

Notes To Consolidated Financial Statements (*Continued*)

The benefits expected to be paid in each year from 2021 through 2025 and thereafter are as follows:

Year	Defined Benefit Pension Plan	Supplemental Pension Plan	Total Pension Plans
2021	\$ 191,000	\$ 30,000	\$ 221,000
2022	184,000	27,000	211,000
2023	176,000	25,000	201,000
2024	170,000	22,000	192,000
2025	162,000	19,000	181,000
2026-2030	687,000	57,000	744,000
	\$ 1,570,000	\$ 180,000	\$ 1,750,000

Management has estimated, based on actuarial information, that no contribution was required for the defined benefit pension plan for the year ended September 30, 2021.

The pension plan assets are placed with money managers recommended by the pension plan's consultant. The Pension Committee reviews the performance of the managers on an ongoing basis and meets at least annually with the consultant. The expected long-term return on plan assets assumption is based on a periodic review and modeling of the plan's asset allocation and liability structure over a long-term period. Expectations of returns for each asset class are based on comprehensive reviews of historical data and economic/financial market theory.

At September 30, 2020 and 2019, the asset allocation goal of the defined benefit pension plan assets has been 60% equity securities and 40% fixed income. The assets are to be invested in conservative, well-known vehicles traded on established U.S. exchanges.

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

Notes To Consolidated Financial Statements *(Continued)*

The fair value of defined benefit pension plan assets by asset category are as follows:

Asset Category	Fair Value Measurements At September 30, 2020				Total
	Quoted Prices In Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Cash and cash equivalents	\$ 164,179	\$ —	\$ —	\$	\$ 164,179
Mutual funds:					
Mid-cap value	223,429	—	—		223,429
Mid-cap growth	384,187	—	—		384,187
Large-cap value	240,854	—	—		240,854
Large-cap growth	774,611	—	—		774,611
Large-cap blend	638,842	—	—		638,842
Multisector bond	468,933	—	—		468,933
High-yield bond	371,716	—	—		371,716
	<b>\$ 3,266,751</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$</b>	<b>\$ 3,266,751</b>

Asset Category	Fair Value Measurements At September 30, 2019				Total
	Quoted Prices In Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Cash and cash equivalents	\$ 163,270	\$ —	\$ —	\$	\$ 163,270
Mutual funds:					
Mid-cap value	272,127	—	—		272,127
Mid-cap growth	386,125	—	—		386,125
Large-cap value	277,948	—	—		277,948
Large-cap growth	648,725	—	—		648,725
Large-cap blend	587,906	—	—		587,906
Multisector bond	483,934	—	—		483,934
High-yield bond	407,569	—	—		407,569
	<b>\$ 3,227,604</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$</b>	<b>\$ 3,227,604</b>

**Defined Contribution Plans**

Optimist has established a defined contribution 401(k) plan for its U.S. employees whereby Optimist makes matching contributions of up to 6% of the salary of each eligible employee. Optimist's contribution to the plan amounted to \$72,424 and \$73,398 in 2020 and 2019, respectively.

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

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Notes To Consolidated Financial Statements (*Continued*)

Effective October 1, 1999, Optimist established a defined contribution Registered Retirement Savings Plan to replace the previously terminated defined benefit plan for its Canadian employees. Optimist's contribution to the plan amounted to \$10,104 and \$9,859 in 2020 and 2019, respectively.

**11. Youth Programs Foundation**

The Youth Programs Foundation was founded in 1996 to provide educational, cultural, recreational and social benefits to minors through the sponsorship of activities and programs, which foster the development of good character and sportsmanship.

Activity of Youth Programs consists of the following:

	<u>2020</u>	<u>2019</u>
Revenues		
Golf revenue	\$ 74,495	\$ 1,160,280
Contributions and grants	692	39,379
Merchandise sales	—	23,013
JOI fees	4,285	66,958
Total revenues	<u>79,472</u>	<u>1,289,630</u>
Expenses	<u>190,853</u>	<u>1,179,081</u>
	<u>\$ (111,381)</u>	<u>\$ 110,549</u>

**12. Operating Lease**

Optimist leases an office in Canada under an operating lease. At September 30, 2020, the future minimum rental payments under this lease are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 28,705
2022	28,705
2023	16,744
Total	<u>\$ 74,154</u>

Rent expense recognized by Optimist was approximately \$28,000 in both 2020 and 2019.

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

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Notes To Consolidated Financial Statements (*Continued*)

**13. General Liability Insurance**

Optimist maintains general liability insurance coverage for itself, all member districts and clubs in the total amount of \$10,000,000 per occurrence and aggregate. The insurance costs are reported separately in the consolidated financial statements.

**14. Related Party Transactions**

Optimist International Foundation and Canadian Children's Optimist Foundation reimburse Optimist for certain payments of payroll, as well as for other administrative charges and services. All such reimbursements are included in the amounts due to Optimist at September 30, 2020 and 2019, which amounted to \$62,805 and \$3,362, respectively, from Optimist International Foundation and \$3,200 and \$23,848, respectively, from the Canadian Children's Optimist Foundation. Additional administrative services are provided without charge.

Optimist International Foundation also provides grants to Optimist for various programs. The grants to Optimist totaled \$96,094 and \$116,722 for the years ended September 30, 2020 and 2019, respectively.

**15. Contingencies**

Optimist International maintains an office in Canada and employs several individuals at this office. Under Canadian employment law, certain employees of Optimist International may be entitled to severance pay. Optimist International does not expect to incur a severance liability at September 30, 2020.

Optimist International enters into contracts with hotels for the annual convention and other meeting events significantly earlier than the scheduled dates of the events. Such contracts typically allow for a reduction, at a predetermined percent, of the original contract amount. However, in the circumstance that such a contract is cancelled, a penalty is usually assessed at a percentage of the original contract amount based on the date of cancellation and the date of the event. As of September 30, 2020, no such cancellations are expected.

## OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

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### Notes To Consolidated Financial Statements (*Continued*)

During 2017, the Canada Revenue Agency (Agency) performed an examination of Optimist's Canadian Goods and Services Tax (GST) and Harmonized Sales Tax (HST) tax returns filed in previous years related to dues charged to the Canadian Membership. During 2018, the Agency proposed adjustments totaling \$212,680 in Canadian dollars related to return periods dating back to 2013. During 2019, Optimist paid the Agency these proposed adjustments, which amounted to \$158,504 in U.S. dollars on the date of payment, to counteract future interest charges while Optimist pursued its appeal. This payment was reflected in other expenses on the consolidated statement of activities. In June 2020, Optimist's Board approved offering a settlement proposal that would result in approximately 53% of these adjustments being returned to Optimist. If this settlement proposal was not accepted, Optimist planned to continue to pursue its appeal. Subsequent to year end, the Agency issued a counter to Optimist's settlement proposal offering a net refund to Optimist of \$273,110 in Canadian dollars which was approved by Optimist's Board. This refund is expected to be received in 2021.

During 2020, Optimist was named as a defendant in a litigation case. A settlement, including related legal fees, was reached and is included in other expenses on the consolidated statement of activities. These costs were fully covered by Optimist's insurance coverage, the proceeds of which are included in other income on the consolidated statement of activities.

## 16. Risks And Uncertainties

Optimist derives the majority of its revenue from membership dues and fees. Membership in the organization may fluctuate based upon larger cultural and economic trends, such as significant downturns in the economy. Due to the level of risk associated with declines in membership of Optimist, it is at least reasonably possible that declines in membership revenue will occur in the short term and that such changes could materially affect amounts reported in the consolidated statement of activities.

## OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

### Notes To Consolidated Financial Statements (*Continued*)

In January 2020, a novel strain of coronavirus (COVID-19) spread worldwide including the United States. In March 2020, the World Health Organization characterized COVID-19 as a pandemic, and the President declared the COVID-19 outbreak in the United States as a national emergency. In compliance with government mandates, since March 2020, Optimist has had to modify its operations and programming, which has affected Optimist's revenue. The continued outbreak of the COVID-19 virus is likely to have a further negative impact on the economy in 2021, thereby continuing to have an impact on Optimist's revenue streams for the foreseeable future. All of these factors could have a significant impact on Optimist's financial results in 2021 and beyond. Given the dynamic nature of this outbreak, the extent to which the COVID-19 virus will impact Optimist's results will depend on future developments, which remain highly uncertain and cannot be predicted at this time.

#### 17. Employment Agreement

Optimist has executed an employment agreement with a key officer. The terms of the agreement run through September 30, 2021, and include provisions regarding compensation, benefits and effects of termination.

#### 18. Liquidity And Availability Of Resources

Optimist's financial assets available within one year of the consolidated statement of financial position date for general expenditures are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 662,294	\$ 669,008
Investments	1,085,661	416,935
Accounts receivable, net	137,832	255,302
Due from Optimist International Foundation	62,805	3,362
Due from Canadian Children's Optimist Foundation	3,200	23,848
	<u>\$ 1,951,792</u>	<u>\$ 1,368,455</u>

Optimist's financial assets are not subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the consolidated statement of financial position. As part of Optimist's liquidity management, it regularly monitors liquidity required to meet its operating needs. To help manage unanticipated liquidity needs, Optimist has a line of credit, as described in Note 8, which it could draw upon if needed. In addition, if necessary, the Board of Directors could un-designate investments to meet cash flow needs.

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

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Notes To Consolidated Financial Statements *(Continued)*

**19. Subsequent Events**

Subsequent to year end, Optimist entered into an agreement in excess of \$3,000,000 for the purchase of Optimist's property held for sale, which is subject to several contingencies.

Management has evaluated subsequent events through the date the consolidated financial statements are available for issue, which is the date of the Independent Auditors' Report.





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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

## Independent Auditors' Report On Supplementary Information

Board of Directors  
Optimist International  
St. Louis, Missouri

We have audited the consolidated financial statements of Optimist International and Optimist International Youth Programs Foundation as of and for the years ended September 30, 2020 and 2019, and our report thereon dated February 22, 2021, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying schedules of consolidated revenues, expenditures, and comparison with budget and changes in membership and officers and directors, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*RubinBrown LLP*

February 22, 2021

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

**SCHEDULE OF CONSOLIDATED REVENUES, EXPENDITURES  
AND COMPARISON WITH BUDGET**

**For The Years Ended September 30, 2020 And 2019**

	2020			2019		
	Actual	Budget	Favorable (Unfavorable)	Actual	Budget	Favorable (Unfavorable)
<b>Revenues</b>						
Dues and fees	\$ 3,423,287	\$ 3,430,480	\$ (7,193)	\$ 3,542,336	\$ 3,660,020	\$ (117,684)
Processing fees	70,853	85,000	(14,147)	111,198	115,000	(3,802)
Charter fees	19,757	22,000	(2,243)	29,279	29,000	279
Life membership fees	29,725	40,800	(11,075)	41,638	50,800	(9,162)
JOI fees	103,811	122,502	(18,691)	94,383	—	94,383
International convention	64,979	45,443	19,536	337,666	255,500	82,166
Youth Programs Foundation revenues	79,472	74,646	4,826	1,289,630	1,179,472	110,158
Optimist International Foundation grant revenue	96,094	98,000	(1,906)	116,722	117,205	(483)
Income from sales of supplies, less cost of supplies sold	12,197	24,000	(11,803)	21,550	26,000	(4,450)
Income from royalties	20,928	25,000	(4,072)	23,932	25,000	(1,068)
Other	205,189	225,510	(20,321)	238,801	218,160	20,641
<b>Total Revenues</b>	<b>4,126,292</b>	<b>4,193,381</b>	<b>(67,089)</b>	<b>5,847,135</b>	<b>5,676,157</b>	<b>170,978</b>
<b>Expenditures</b>						
Allocated dues to districts	39,438	43,000	3,562	32,362	43,000	10,638
Club insurance premiums	512,743	505,425	(7,318)	499,991	538,500	38,509
Growth and member services	323,895	384,197	60,302	504,785	552,162	47,377
Club programs	70,178	80,385	10,207	50,479	57,528	7,049
Membership development	971,730	291,046	19,316	322,058	298,417	(23,641)
Communication	242,430	252,370	9,940	296,862	322,377	25,515
Meeting services	148,233	146,607	(1,626)	173,516	167,154	(6,362)
International convention	81,902	87,465	5,563	339,114	283,100	(56,014)
Canadian office services	410,358	443,200	32,842	450,017	432,500	(17,517)
Building maintenance	950,958	240,889	(10,069)	251,114	236,189	(14,925)
Finance, administration, information services and facilities	904,559	927,012	22,453	869,319	906,715	37,396
Loss on uncollectible accounts receivable	74,408	35,000	(39,408)	67,757	30,000	(37,757)
Executive director department	292,961	294,796	1,835	293,880	305,261	11,381
Board and officers	103,436	155,330	51,894	158,943	170,572	11,629
Committees	23,117	38,009	14,892	76,727	76,055	(672)
JOI programs	93,360	102,911	9,551	93,843	—	(93,843)
Youth Programs Foundation expenses	190,853	195,089	4,236	1,179,081	1,277,920	98,839
Capital improvements	9,491	39,725	30,234	25,773	—	(25,773)
Interest expense	25,480	23,680	(1,800)	27,908	25,450	(2,458)
Pension contributions	32,016	33,500	1,484	32,016	32,016	—
<b>Total Expenditures</b>	<b>4,101,546</b>	<b>4,319,636</b>	<b>218,090</b>	<b>5,745,545</b>	<b>5,754,916</b>	<b>9,371</b>
<b>Loss On Foreign Currency Translation (Note 1)</b>	<b>(9,301)</b>	<b>—</b>	<b>(9,301)</b>	<b>(24,279)</b>	<b>—</b>	<b>(24,279)</b>
<b>Excess (Deficiency) Of Revenues Over Expenditures</b>	<b>\$ 15,445</b>	<b>\$ (126,255)</b>	<b>\$ 141,700</b>	<b>\$ 77,311</b>	<b>\$ (78,759)</b>	<b>\$ 156,070</b>

See the independent auditors' report on supplementary information.

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

**SCHEDULE OF CHANGES IN MEMBERSHIP  
AND OFFICERS AND DIRECTORS  
For The Year Ended September 30, 2020**

	<b>Member Clubs</b>	<b>Members</b>
Membership, September 30, 2019	2,279	64,105
New clubs and members	39	5,630
Less: Discontinued clubs and members	125	11,928
<b>Membership, September 30, 2020</b>	<b>2,193</b>	<b>57,807</b>

Officers and Directors - 2020-2021:

**Optimist International**

Mark Weinsoff	President
Patsy Garner	President - Elect
Adrian Elcock	Immediate Past President
Robert Doyle	Board Member
Sandy Cyphers	Board Member
Sandra Larivee	Board Member
Janet Lloyd	Board Member
Luc Dubois	Board Member
Sandra Williams	Board Member
Sophie-Chanel Bourre'	President of JOOI (nonvoting)
Benny Ellerbe	Executive Director (nonvoting)
	President of Optimist International Foundation (nonvoting)
	President of Canadian Children's Optimist Foundation (nonvoting)

**Optimist International Youth Programs Foundation**

Sandra Larivee	Chairman
Mark Weinsoff	Board Member
Adrian Elcock	Board Member
Patsy Garner	Board Member
Sandy Cyphers	Board Member
Luc Dubois	Board Member
Sandra Williams	Board Member
Robert Doyle	Board Member
Janet Lloyd	Board Member
Ken Garner	Board Member
Lawson Headley	Board Member
Benny Ellerbe	Executive Director (nonvoting)
Jan Oord Graves	President of Optimist International Foundation (nonvoting)
Jean-Claude St-Onge	President of Canadian Children's Optimist Foundation (nonvoting)

Officers and Directors - 2019-20

**Optimist International**

Adrian Elcock	President
Mark Weinsoff	President - Elect
Rebecca Butler Mona	Immediate Past President
Don Brose	Board Member
Sandy Cyphers	Board Member
Sandra Larivee	Board Member
Patsy Garner	Board Member
Luc Dubois	Board Member
Sandra Williams	Board Member
Julia Cooper	President of JOOI (nonvoting)
Benny Ellerbe	Executive Director (nonvoting)
Bill Meyers	President of Optimist International Foundation (nonvoting)
Rod McKendrick	President of Canadian Children's Optimist Foundation (nonvoting)

**Optimist International Youth Programs Foundation**

Patsy Garner	Chairman
Rebecca Butler Mona	Board Member
Mark Weinsoff	Board Member
Adrian Elcock	Board Member
Don Brose	Board Member
Sandy Cyphers	Board Member
Sandra Larivee	Board Member
Sandra Williams	Board Member
Luc Dubois	Board Member
Ken Garner	Board Member
Robert McFayden	Board Member
Benny Ellerbe	Executive Director (nonvoting)
Bill Meyers	President of Optimist International Foundation (nonvoting)
Rod McKendrick	President of Canadian Children's Optimist Foundation (nonvoting)