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**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**  
CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

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## Independent Auditors' Report

Board of Directors  
Optimist International  
St. Louis, Missouri

### *Opinion*

We have audited the consolidated financial statements of Optimist International and Optimist International Youth Programs Foundation, which comprise the consolidated statement of financial position as of September 30, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Optimist International and Optimist International Youth Programs Foundation as of September 30, 2022 and 2021, and the changes in their net assets, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis For Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities For The Audit Of The Consolidated Financial Statements section of our report. We are required to be independent of Optimist International and Optimist International Youth Programs Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Emphasis Of Matter*

As discussed in Note 19 to the consolidated financial statements, the 2021 consolidated financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

### *Responsibilities Of Management For The Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Optimist International and Optimist International Youth Programs Foundation's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

***Auditors' Responsibilities For The Audit Of The Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Optimist International and Optimist International Youth Programs Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Optimist International and Optimist International Youth Programs Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*RubinBrown LLP*

February 16, 2023

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

Assets	September 30,	
	2022	2021 (As Restated)
Cash and cash equivalents	\$ 1,555,069	\$ 582,760
Investments, carried at cost (Note 3)	462,283	1,436,912
Accounts receivable, net (Notes 4 and 8)	265,299	452,836
Due from related parties (Note 14)	71,468	76,363
Prepaid expenses and other current assets	269,283	217,734
Mineral rights asset, net (Note 2)	57,281	62,156
Net pension asset (Note 10)	1,122,757	1,585,942
Assets restricted for Board-designated endowment (Notes 3 and 9)	140,499	132,109
Property held for sale (Note 2)	197,756	197,756
Property and equipment, net (Notes 5, 6, 7 and 8)	27,862	43,073
<b>Total Assets</b>	<b>\$ 4,169,557</b>	<b>\$ 4,787,641</b>

**Liabilities And Net Assets**

<b>Liabilities</b>		
Accounts payable	\$ 85,968	\$ 72,039
Accrued expenses and other liabilities	115,893	175,975
Accrued paid time off	204,179	192,910
Current portion of capital lease obligations (Note 6)	19,528	18,532
Current portion of debt (Note 7)	42,143	40,092
Due to related party (Note 2)	21,271	—
Due to districts and clubs	72,761	87,063
Deferred revenue	15,543	46,180
Long-term portion of capital lease obligations (Note 6)	—	19,528
Long-term portion of debt (Note 7)	273,424	315,567
<b>Total Liabilities</b>	<b>850,710</b>	<b>967,886</b>
<b>Net Assets Without Donor Restrictions</b>		
Undesignated - general	2,972,258	3,484,877
Board-designated endowment (Note 9)	140,499	132,109
Net investment in property and equipment	206,090	202,769
<b>Total Net Assets Without Donor Restrictions</b>	<b>3,318,847</b>	<b>3,819,755</b>
<b>Total Liabilities And Net Assets</b>	<b>\$ 4,169,557</b>	<b>\$ 4,787,641</b>

# OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

## CONSOLIDATED STATEMENT OF ACTIVITIES

	For The Years Ended September 30,	
	2022	2021 (As Restated)
<b>Revenues And Public Support</b>		
Dues and fees	\$ 2,869,461	\$ 3,175,340
Charter fees	38,337	33,105
Life membership fees	40,907	39,308
JOI fees	80,637	191,772
International convention	220,980	196,105
Youth Programs Foundation revenues (Note 11)	1,280,206	1,178,579
Grant revenue (Note 14)	114,189	99,129
Income from sales of supplies	11,502	12,083
Income from royalties	792	16,590
Other	130,520	112,350
<b>Total Revenues And Public Support</b>	<b>4,787,531</b>	<b>5,054,361</b>
<b>Expenses</b>		
Allocated dues to districts	21,576	36,723
Club insurance premiums	582,504	580,182
Growth and member services	274,215	281,813
Club programs	55,649	50,795
Membership development	291,990	274,492
Communication	153,703	202,092
Meeting services	137,616	154,015
International convention	198,864	225,042
Canadian office services	76,950	297,498
Building maintenance	236,906	233,240
Finance, administration, information services and facilities	991,274	987,191
Loss on uncollectible accounts receivable	28,190	109,736
Executive director department	201,058	305,714
Board and officers	102,294	79,334
Committees	7,601	64,870
JOI program	130,392	123,828
Youth Programs Foundation expenses (Note 11)	1,095,498	1,018,101
Depreciation, amortization and depletion (Notes 2 and 5)	24,705	25,122
Interest expense (Notes 6 and 7)	18,428	21,326
<b>Total Expenses</b>	<b>4,629,413</b>	<b>5,071,114</b>
<b>Excess (Deficiency) Of Revenues And Public Support Over Expenses</b>	<b>158,118</b>	<b>(16,753)</b>
<b>Gain (Loss) On Foreign Currency Translation (Note 2)</b>	<b>(124,631)</b>	<b>60,640</b>
<b>Employee Retention Credit (Note 2)</b>	<b>—</b>	<b>353,832</b>
<b>Forgiveness Of Paycheck Protection Program Loan - Gain On Extinguishment (Note 7)</b>	<b>—</b>	<b>391,095</b>
<b>Other Income (Note 15)</b>	<b>—</b>	<b>210,760</b>
<b>Other Expenses (Notes 2 And 7)</b>	<b>(39,674)</b>	<b>(54,906)</b>
<b>Other Components Of Net Periodic Pension Cost (Note 10)</b>	<b>168,958</b>	<b>90,300</b>
<b>Pension Plan Changes Other Than Net Periodic Benefit Cost (Note 10)</b>	<b>(663,679)</b>	<b>518,695</b>
<b>Increase (Decrease) In Net Assets</b>	<b>(500,908)</b>	<b>1,553,663</b>
<b>Net Assets - Beginning Of Year</b>	<b>3,819,755</b>	<b>2,266,092</b>
<b>Net Assets - End Of Year</b>	<b>\$ 3,318,847</b>	<b>\$ 3,819,755</b>

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
For The Year Ended September 30, 2022**

	Program Services					General Management	Membership Development	Total
	Club Programs	Youth Programs	Education And Community	Meetings	Total			
Salaries and wages	\$ 263,463	\$ 80,932	\$ 340,594	\$ 155,852	\$ 840,841	\$ 584,018	\$ 89,356	\$ 1,514,215
Payroll taxes and employee benefits	68,725	17,915	84,200	34,232	205,072	190,952	23,156	419,180
Total salaries and related expenses	332,188	98,847	424,794	190,084	1,045,913	774,970	112,512	1,933,395
Awards	32,274	11,123	—	—	43,397	—	6,147	49,544
Bad debt expense	—	—	—	—	—	28,190	—	28,190
Bank/credit card fees	21,499	48,495	201	5,411	75,606	20,262	—	95,868
Canadian taxes	—	—	—	—	—	6,381	—	6,381
Conferences, conventions and meetings	1,245	—	15,874	180,928	198,047	5,674	1,638	205,359
Depreciation, amortization and depletion	6,078	—	6,646	1,976	14,700	8,350	1,655	24,705
Dues to districts/friends	63,847	—	—	—	63,847	—	—	63,847
Golf tournament expenses	—	45,526	—	—	45,526	1,891	—	47,417
Information technology	695	—	25,596	—	26,291	56,003	—	82,294
Insurance	547,403	—	—	—	547,403	35,101	—	582,504
Interest	—	—	—	—	—	18,428	—	18,428
Occupancy	36,368	—	39,768	11,827	87,963	49,970	9,905	147,838
Postage/shipping	20,061	3,778	21,161	12,757	57,757	3,589	897	62,243
Printing	4,892	11,024	22,625	1,551	40,092	7,996	1,654	49,742
Professional fees	—	—	—	—	—	120,504	—	120,504
Supplies, office and other expenses	1,866	2,539	4,180	849	9,434	2,511	78	12,023
Telephone	8,033	3,128	9,241	3,444	23,846	16,216	2,828	42,890
Travel - Junior Golf	—	842,769	—	—	842,769	13,121	—	855,890
Travel	57,198	—	12,001	84,898	154,097	29,117	17,137	200,351
	\$ 1,133,647	\$ 1,067,229	\$ 582,087	\$ 493,725	\$ 3,276,688	\$ 1,198,274	\$ 154,451	\$ 4,629,413

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**For The Year Ended September 30, 2021**

	Program Services					General Management	Membership Development	Total
	Club Programs	Youth Programs	Education And Community	Meetings	Total			
Salaries and wages	\$ 346,255	\$ 79,683	\$ 375,455	\$ 175,422	\$ 976,815	\$ 680,865	\$ 112,358	\$ 1,770,038
Payroll taxes and employee benefits	75,396	17,591	79,823	39,043	211,853	211,014	26,316	449,183
Total salaries and related expenses	421,651	97,274	455,278	214,465	1,188,668	891,879	138,674	2,219,221
Awards	22,244	10,374	—	—	32,618	—	4,237	36,855
Bad debt expense	—	—	—	—	—	109,736	—	109,736
Bank/credit card fees	21,023	35,951	120	11,564	68,658	17,134	—	85,792
Canadian taxes	281	—	3	151	435	10,597	153	11,185
Conferences, conventions and meetings	—	—	18,170	230,587	248,757	5,519	606	254,882
Depreciation, amortization and depletion	6,607	—	6,406	1,809	14,822	8,567	1,733	25,122
Dues to districts/friends	81,858	—	—	—	81,858	—	—	81,858
Golf tournament expenses	—	52,905	—	—	52,905	1,807	—	54,712
Information technology	—	—	15,657	—	15,657	65,271	—	80,928
Insurance	546,553	—	—	—	546,553	33,629	—	580,182
Interest	—	—	—	—	—	21,326	—	21,326
Occupancy	40,026	—	38,809	10,958	89,793	51,897	10,501	152,191
Postage/shipping	17,834	3,274	35,657	7,553	64,318	6,242	3,289	73,849
Printing	16,608	11,083	21,095	2,026	50,812	30,969	3,618	85,399
Professional fees	—	—	—	—	—	129,553	—	129,553
Supplies, office and other expenses	55,312	3,950	3,068	1,095	63,425	2,959	248	66,632
Telephone	7,750	3,047	9,363	3,764	23,924	17,573	2,953	44,450
Travel - Junior Golf	—	774,804	—	—	774,804	10,451	—	785,255
Travel	43,134	—	10,148	78,886	132,168	16,226	23,592	171,986
	\$ 1,280,881	\$ 992,662	\$ 613,774	\$ 562,858	\$ 3,450,175	\$ 1,431,335	\$ 189,604	\$ 5,071,114



**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>For The Years Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ (500,908)	\$ 1,553,663
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation, amortization and depletion	24,705	25,122
Imputed interest on capital lease obligations	1,556	2,502
(Gain) loss on foreign currency translation	124,631	(60,640)
Loss on disposal of property and equipment	—	392
Forgiveness of Paycheck Protection Program loan - gain on extinguishment	—	(391,095)
Changes in assets and liabilities:		
Accounts receivable	183,948	(312,145)
Prepaid expenses and other current assets	(56,243)	80,651
Net pension asset	463,185	(640,931)
Accounts payable	14,570	9,645
Accrued expenses and other liabilities	(55,555)	45,723
Accrued paid time off	11,269	11,507
Deferred revenue	(30,637)	(29,668)
<b>Net Cash Provided By Operating Activities</b>	<b>180,521</b>	<b>294,726</b>
<b>Cash Flows From Investing Activities</b>		
(Increase) decrease in due from related parties	26,166	(10,358)
Proceeds from sale or maturity of investments	1,167,840	964,565
Purchases of investments	(300,633)	(1,273,935)
Purchases of property and equipment	(4,619)	(8,005)
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>888,754</b>	<b>(327,733)</b>
<b>Cash Flows From Financing Activities</b>		
Increase (decrease) in due to districts	(13,637)	9,092
Payments on capital lease obligations	(20,088)	(20,088)
Repayments of promissory notes payable	(40,092)	(38,141)
<b>Net Cash Used In Financing Activities</b>	<b>(73,817)</b>	<b>(49,137)</b>
<b>Effect Of Exchange Rate Changes On Cash</b>	<b>(23,149)</b>	<b>2,610</b>
<b>Net Increase (Decrease) In Cash And Cash Equivalents</b>	<b>972,309</b>	<b>(79,534)</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>582,760</b>	<b>662,294</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 1,555,069</b>	<b>\$ 582,760</b>
<b>Supplemental Cash Flow Information</b>		
Interest paid	\$ 16,872	\$ 18,824

# OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2022 And 2021

### 1. 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 International Youth Programs Foundation was incorporated during fiscal year 1996 to sponsor activities and programs which foster the development of minors.

Optimist International and Optimist International Youth Programs Foundation (collectively, Optimist) is supported primarily by membership dues and fees.

### 2. 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). 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 50 administrative districts and 2,066 and 2,119 clubs for the years ended September 30, 2022 and 2021, 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, 2022 or 2021.

## **OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION**

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

#### **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.

#### **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, 2022, approximately \$1,391,000 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.

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

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Notes To Consolidated Financial Statements (*Continued*)

**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.

**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 2022 and 2021. Accumulated depletion on these mineral rights was \$40,219 and \$35,344 at September 30, 2022 and 2021, respectively.

**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 2022 or 2021.

**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, 2022 and 2021. This property is stated at cost, including improvements, less accumulated depreciation through the date the property was available for sale.

On January 31, 2023, Optimist entered into an agreement for the purchase of Optimist's property held for sale, which is subject to several contingencies.

## **OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION**

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Notes To Consolidated Financial Statements (*Continued*)

### **Forgivable Note Payable**

Optimist International received a loan that was 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 used the proceeds from the loan exclusively for qualified expenses under the PPP, including payroll, rent and utility costs, as further detailed in the CARES Act and applicable guidance issued by the SBA. Optimist International considered the PPP loan to be debt, subject to the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 470, *Debt*. Optimist International did 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.

The loan remained recorded as a liability until either (1) the loan was, in part or wholly, forgiven and Optimist International was legally released or (2) Optimist International paid off the loan. Once the loan was, in part or wholly, forgiven and legal release was received, Optimist International reduced the liability by the amount forgiven and recorded a gain on extinguishment.

### **Revenues And Deferred Revenue**

Disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from revenue streams are as following:

#### **Dues And Fees**

Dues and fees consist of membership dues collected from Optimist members, annual fees collected from Friends of Optimist (Friends), and processing fees. Dues and fees, which are nonrefundable, are considered exchange transactions based on the value of benefits provided to members. The payment of the membership fee constitutes the contract with the member.

Membership dues are billed quarterly to each Optimist Club based on the number of members. The dues structure is based on the United Nation's designation and categorized into either developed or developing countries. Optimist Clubs receive membership benefits including branding rights, insurance, administrative support, leadership training, and a variety of online resources. Membership dues are recognized as revenue over the course of the quarter for which the membership benefits are provided.

Annual fees for Friends are billed annually. Annual fees are recognized as revenue at the point in time a new Friend joins.

## **OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION**

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

Processing fees relate to a one-time fee for each new member added to a Club. Optimist bills and recognizes revenue for processing fees at the point in time a new member is reported on the Club roster.

#### **Charter Fees**

Charter fees relate to a one-time fee for chartering a new Club. Charter fees are recognized as revenue at the point in time a new Club is created and supplies are provided to the Club.

#### **Life Membership Fees**

Life membership fees relate to a one-time fee members can pay to receive reduced quarterly membership dues for life. Life membership fees are recognized as revenue at the point in time a member enrolls as a life member.

#### **Junior Optimist International (JOI) Fees**

JOI fees consist primarily of membership dues and registration fees for JOI Clubs.

JOI membership dues are billed annually to each JOI Club based on the number of members. Only the first 50 members of each JOI Club pay membership dues. The dues structure is based on tiers, as defined by the World Bank as high-income economies, upper middle income economies, and low income economies. JOI Clubs receive membership benefits including branding rights, postage, supplies, district officer newsletters, Club mailings, recruitment and training videos, board meetings, member newsletter, training modules, and the International Convention. JOI membership dues are recognized as revenue over the course of the year for which benefits are provided. JOI membership dues collected in advance and are recorded as deferred revenue.

JOI registration fees relate to a one-time fee for chartering a new JOI Club. JOI registration fees are recognized as revenue at the point in time a new JOI Club is created and supplies are provided to the JOI Club.

#### **International Convention**

International convention revenues consist primarily of registration fees, special event fees, and sales of merchandise. Revenues are recognized at the point in time the event occurs and/or when the products are sold. Registration fees and special event fees collected in advance of the event are recorded as deferred revenue.

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

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Notes To Consolidated Financial Statements (*Continued*)

**Youth Programs Foundation Revenues**

Youth Programs Foundation revenues consist primarily of golf revenues, contributions and grants, and merchandise sales.

Golf revenues relate to registration fees and event fees for the annual golf tournament hosted by Youth Programs. Registration fees and event fees are recognized at the point in time the event occurs. Fees related to earned revenue that are collected in advance of the event are recorded as deferred revenue.

Merchandise sales are recognized as revenue at the point in time the products are sold.

The following table provides opening and closing balances of gross accounts receivable derived from program revenue:

	<b>October 1, 2020</b>	<b>September 30, 2021</b>	<b>September 30, 2022</b>
Dues and fees	\$ 142,325	\$ 209,108	\$ 117,390
Golf revenue	—	—	30,000
	<u>\$ 142,325</u>	<u>\$ 209,108</u>	<u>\$ 147,390</u>

The following table provides opening and closing balances of deferred revenue derived from program revenue:

	<b>October 1, 2020</b>	<b>September 30, 2021</b>	<b>September 30, 2022</b>
Life membership fees	\$ 1,203	\$ —	\$ —
JOI membership dues	50,631	—	—
International convention	75	—	—
Youth Programs Foundation revenues - golf revenue	23,400	46,180	15,543
	<u>\$ 75,309</u>	<u>\$ 46,180</u>	<u>\$ 15,543</u>

**Public Support**

Optimist reports contributions 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. Optimist reports donor restricted contributions as without donor restriction if Optimist meets the donor restrictions in the same period as receipt of the contributions, regardless of whether the related cash has been received.

## OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

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

Contributions are recognized in the year that the pledge of support is made. Conditional pledges, that is, those with a measurable performance or other barrier, are not recognized until the conditions on which they depend have been met.

#### **New Accounting Standard Implemented**

Effective October 1, 2021, Optimist adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures for Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07). ASU 2020-07 requires not-for-profits to present contributed nonfinancial assets as a separate line item in the statement of activities and provide additional disclosures about contributions of nonfinancial assets. Contributed nonfinancial assets, commonly referred to as gifts-in-kind, include assets (such as land, buildings and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services and unconditional promises of those assets. The adoption of ASU 2020-07 did not impact the consolidated financial statements.

#### **Employee Retention Credit**

The CARES Act provided an employee retention credit, which is a refundable tax credit against certain employment taxes up to \$5,000 per employee for eligible employers. The credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages through December 31, 2020.

The Consolidated Appropriations Act of 2021 extended the availability of the employee retention credit through December 31, 2021. However, certain provisions apply only after December 31, 2020. This new legislation amends the employee retention credit to be equal to 70% of qualified wages paid to employees after December 31, 2020 and before December 31, 2021. During 2021, a maximum of \$10,000 in qualified wages for each employee per calendar quarter may be counted in determining the 70% credit. Therefore, the maximum tax credit that can be claimed by an eligible employer in 2021 is \$7,000 per employee per calendar quarter. The Infrastructure Investment and Jobs Act, which was signed into law in November 2021, changed the ending date of availability of the employee retention credit to September 30, 2021.

Optimist recognizes the employee retention credit when conditions for earning it are substantially met. Optimist qualified for the credit beginning on April 1, 2021 and applied for credits for qualified wages through September 30, 2021. During the year ended September 30, 2021, employee retention credits of \$353,832 were recognized. At September 30, 2022 and 2021, credits of \$174,749 and \$353,832, respectively, remain outstanding and are included in accounts receivable on the consolidated statement of financial position.



## OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

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

In 2022, based on allocation of employees, Optimist International granted \$39,674 of their employee retention credit to Optimist International Foundation, which is included in other expenses on the consolidated statement of activities for the year ended September 30, 2022. At September 30, 2022, \$21,271 remained payable to Optimist International Foundation and is included in due to related party on the consolidated statement of financial position.

#### **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 (gain) loss was \$124,631 and (\$60,640) for the years ended September 30, 2022 and 2021, 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 2,066 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.

## OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

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

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.

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 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.

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

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Notes To Consolidated Financial Statements (*Continued*)

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

**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.

**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).

**Subsequent Events**

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.

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

Investments consist of:

	<u>2022</u>	<u>2021</u>
Guaranteed investment certificates	\$ 381,387	\$ 1,356,299
Certificate of deposit	80,896	80,613
	<u>\$ 462,283</u>	<u>\$ 1,436,912</u>

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

## OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

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

Assets restricted for Board-designated endowment are comprised of Optimist's interest in the investments held by Optimist International Foundation. At September 30, 2022 and 2021, \$140,499 and \$132,109 was held, 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, 2022 and 2021 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 2022 and 2021, 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>2022</u>	<u>2021</u>
Accounts receivable from clubs	\$ 136,926	\$ 275,199
Other receivables	209,475	360,736
Allowance for doubtful accounts	(81,102)	(183,099)
	<u>\$ 265,299</u>	<u>\$ 452,836</u>

#### 5. Property And Equipment

Property and equipment consist of:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 1,096,985	\$ 1,092,365
Less: Accumulated depreciation and amortization	1,069,123	1,049,292
	<u>\$ 27,862</u>	<u>\$ 43,073</u>

Depreciation and amortization expense amounted to \$19,830 and \$20,247 for the years ended September 30, 2022 and 2021, respectively.

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

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Notes To Consolidated Financial Statements (*Continued*)

**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, 2022 and 2021 are valued at \$79,526, less accumulated amortization of \$66,892 and \$54,258, in 2022 and 2021, respectively.

Future minimum lease payments related to these leases as of September 30, 2022 are as follows:

<b>Year</b>	<b>Amount</b>
Total minimum obligations - 2023	\$ 20,088
Less: Amounts representing interest	560
Present value of minimum lease	19,528
Less: Current portion	19,528
	\$ —

For the years ended September 30, 2022 and 2021, interest expense on the capital lease obligations amounted to \$1,556 and \$2,502, respectively.

**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, 2022 and 2021, the promissory note had an outstanding balance of \$315,567 and \$355,659, respectively.

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

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Notes To Consolidated Financial Statements (*Continued*)

The future minimum principal payments on the promissory note are as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 42,143
2024	44,299
2025	46,566
2026	48,948
2027	51,453
Thereafter	82,158
	<u>\$ 315,567</u>

For the years ended September 30, 2022 and 2021, interest expense related to the promissory note amounted to \$16,872 and \$18,824, 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 CARES Act's Paycheck Protection Program and is unsecured. Amounts outstanding under this loan bore 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 was to accrue, but neither principal nor interest was due or payable. At the end of the deferral period, the outstanding principal that was not forgiven under the Paycheck Protection Program would convert to a term loan. Optimist International applied to the bank for forgiveness of the amount due on the loan in an amount based on 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. During 2021, Optimist International received loan forgiveness from the SBA for \$391,095, which is reflected as debt forgiveness on the consolidated statement of activities for the year ended September 30, 2021.

In 2020, based on allocation of employees, Optimist International gave \$54,906 of their PPP loan to Optimist International Foundation. Optimist International and Optimist International Foundation entered into a promissory note agreement with terms identical to the Paycheck Protection Program loan. In conjunction with Optimist International's Paycheck Protection Program loan forgiveness received from the SBA during 2021, the promissory note due from Optimist International Foundation was also forgiven, which is included in other expenses on the consolidated statement of activities for the year ended September 30, 2021.

## OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

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Notes To Consolidated Financial Statements (*Continued*)

### 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 the financial institution's prime rate plus 2.00% (8.25% at September 30, 2022) and terminates on April 8, 2023. The line of credit is secured by an interest in Optimist's inventory, accounts receivable and equipment.

As of September 30, 2022 and 2021, no amount is due under the line-of-credit agreement. No interest expense was incurred in 2022 or 2021.

### 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.

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 INTERNATIONAL AND RELATED ORGANIZATION

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

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>2022</u>	<u>2021</u>
Board-designated endowment funds	\$ 140,499	\$ 132,109

Changes in the endowment fund are as follows:

	<u>Without Donor Restrictions</u>
Balance - October 1, 2020	\$ 118,563
Contributions to Board-designated endowment	9,274
Investment return	<u>4,272</u>
Balance - September 30, 2021	132,109
Contributions to Board-designated endowment	3,860
Investment return	<u>4,530</u>
Balance - September 30, 2022	<u>\$ 140,499</u>

## 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.



**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

Notes To Consolidated Financial Statements (*Continued*)

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, 2021. 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 2022 or 2021. 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, 2022 and 2021, as estimated by the consulting actuary:

	<b>2022</b>		
	<b>Defined Benefit Pension Plan</b>	<b>Supplemental Pension Plan</b>	<b>Total Pension Plans</b>
<b>Change In Benefit Obligation</b>			
Benefit obligation at beginning of year	\$ 2,062,131	\$ 164,843	\$ 2,226,974
Interest cost	56,471	4,300	60,771
Actuarial (gain) loss	(232,954)	3,298	(229,656)
Benefits paid	(193,003)	(31,536)	(224,539)
<b>Benefit obligation at end of year</b>	<b>1,692,645</b>	<b>140,905</b>	<b>1,833,550</b>
<b>Change In Plan Assets</b>			
Fair value of plan assets at beginning of year	3,812,916	—	3,812,916
Actual loss on plan assets	(663,606)	—	(663,606)
Employer contribution	—	31,536	31,536
Benefits paid	(193,003)	(31,536)	(224,539)
<b>Fair value of plan assets at end of year</b>	<b>2,956,307</b>	<b>—</b>	<b>2,956,307</b>
<b>Funded status</b>	<b>\$ 1,263,662</b>	<b>\$ (140,905)</b>	<b>\$ 1,122,757</b>
<b>2021</b>			
	<b>Defined Benefit Pension Plan</b>	<b>Supplemental Pension Plan</b>	<b>Total Pension Plans</b>
<b>Change In Benefit Obligation</b>			
Benefit obligation at beginning of year	\$ 2,143,600	\$ 178,140	\$ 2,321,740
Interest cost	61,443	4,890	66,333
Actuarial loss	46,092	13,749	59,841
Benefits paid	(189,004)	(31,936)	(220,940)
<b>Benefit obligation at end of year</b>	<b>2,062,131</b>	<b>164,843</b>	<b>2,226,974</b>
<b>Change In Plan Assets</b>			
Fair value of plan assets at beginning of year	3,266,751	—	3,266,751
Actual return on plan assets	735,169	—	735,169
Employer contribution	—	31,936	31,936
Benefits paid	(189,004)	(31,936)	(220,940)
<b>Fair value of plan assets at end of year</b>	<b>3,812,916</b>	<b>—</b>	<b>3,812,916</b>
<b>Funded status</b>	<b>\$ 1,750,785</b>	<b>\$ (164,843)</b>	<b>\$ 1,585,942</b>

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

Notes To Consolidated Financial Statements (*Continued*)

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, 2022 and 2021.

The supplemental pension plan is currently unfunded and will be funded by Optimist as benefits are due to participants. Expected contributions in 2023 are \$30,000.

The following is a summary of the components of net periodic pension cost for the years ended September 30, 2022 and 2021:

	<b>2022</b>		
	<b>Defined Benefit Pension Plan</b>	<b>Supplemental Pension Plan</b>	<b>Total Pension Plans</b>
Interest cost	\$ 56,471	\$ 4,300	\$ 60,771
Expected return on plan assets	(260,289)	—	(260,289)
Net amortization	20,871	9,689	30,560
Other components of net periodic pension cost	(182,947)	13,989	(168,958)
Service cost	—	—	—
	<b>\$ (182,947)</b>	<b>\$ 13,989</b>	<b>\$ (168,958)</b>
	<b>2021</b>		
	<b>Defined Benefit Pension Plan</b>	<b>Supplemental Pension Plan</b>	<b>Total Pension Plans</b>
Interest cost	\$ 61,443	\$ 4,890	\$ 66,333
Expected return on plan assets	(221,988)	—	(221,988)
Net amortization	55,916	9,439	65,355
Other components of net periodic pension cost	(104,629)	14,329	(90,300)
Service cost	—	—	—
	<b>\$ (104,629)</b>	<b>\$ 14,329</b>	<b>\$ (90,300)</b>

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.

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

Notes To Consolidated Financial Statements (*Continued*)

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

	<b>2022</b>		
	<b>Defined Benefit Pension Plan</b>	<b>Supplemental Pension Plan</b>	<b>Total Pension Plans</b>
Current year actuarial gain	\$ (20,871)	\$ (9,689)	\$ (30,560)
Amortization of actuarial loss	690,941	3,298	694,239
	<u>\$ 670,070</u>	<u>\$ (6,391)</u>	<u>\$ 663,679</u>

	<b>2021</b>		
	<b>Defined Benefit Pension Plan</b>	<b>Supplemental Pension Plan</b>	<b>Total Pension Plans</b>
Current year actuarial gain	\$ (55,916)	\$ (9,439)	\$ (65,355)
Amortization of actuarial loss	(467,089)	13,749	(453,340)
	<u>\$ (523,005)</u>	<u>\$ 4,310</u>	<u>\$ (518,695)</u>

Amounts expected to be reflected in net periodic benefit cost (excluding the period service cost, interest cost and return on plan assets) in the year ending September 30, 2023:

	<b>Defined Benefit Pension Plan</b>	<b>Supplemental Pension Plan</b>	<b>Total Pension Plans</b>
Net prior service cost	\$ —	\$ —	\$ —
Net amortization	68,877	9,904	78,781
Transition obligation	—	—	—
	<u>\$ 68,877</u>	<u>\$ 9,904</u>	<u>\$ 78,781</u>

**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 2022 or 2021.

The following table sets forth the weighted average assumptions used to determine net period pension cost and benefit obligations as of September 30, 2022 and 2021:

	2022		2021	
	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	5.14%	5.14%	2.87%	2.87%
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	5.14%	5.14%	2.87%	2.87%
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

The benefits expected to be paid in each year from 2023 through 2027 and thereafter are as follows:

Year	Defined Benefit Pension Plan	Supplemental Pension Plan	Total Pension Plans
2023	\$ 187,000	\$ 29,000	\$ 216,000
2024	181,000	26,000	207,000
2025	173,000	22,000	195,000
2026	162,000	19,000	181,000
2027	156,000	16,000	172,000
2028-2032	635,000	43,000	678,000
	\$ 1,494,000	\$ 155,000	\$ 1,649,000

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

Notes To Consolidated Financial Statements (*Continued*)

Management has estimated, based on actuarial information, that no contribution was required for the defined benefit pension plan for the year ended September 30, 2023.

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, 2022 and 2021, 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.

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

<b>Asset Category</b>	<b>Fair Value Measurements At September 30, 2022</b>			<b>Total</b>
	<b>Quoted Prices In Active Markets (Level 1)</b>	<b>Significant Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	
Cash and cash equivalents	\$ 162,325	\$ —	\$ —	\$ 162,325
Mutual funds:				
Mid-cap value	253,484	—	—	253,484
Mid-cap growth	319,685	—	—	319,685
Large-cap value	362,891	—	—	362,891
Large-cap growth	422,903	—	—	422,903
Large-cap blend	623,793	—	—	623,793
Multisector bond	501,922	—	—	501,922
High-yield bond	309,304	—	—	309,304
	<b>\$ 2,956,307</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 2,956,307</b>

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

Notes To Consolidated Financial Statements (*Continued*)

Asset Category	Fair Value Measurements At September 30, 2021				Total
	Quoted Prices In Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Cash and cash equivalents	\$ 148,393	\$ —	\$ —	\$	\$ 148,393
Mutual funds:					
Mid-cap value	301,536	—	—		301,536
Mid-cap growth	428,901	—	—		428,901
Large-cap value	428,806	—	—		428,806
Large-cap growth	718,496	—	—		718,496
Large-cap blend	794,721	—	—		794,721
Multisector bond	599,378	—	—		599,378
High-yield bond	392,685	—	—		392,685
	\$ 3,812,916	\$ —	\$ —	\$	\$ 3,812,916

**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 \$69,817 and \$73,384 in 2022 and 2021, respectively.

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. No contributions were made to the plan in 2022. Optimist's contribution to the plan amounted to \$12,723 in 2021.

**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.

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

Notes To Consolidated Financial Statements (*Continued*)

Activity of Youth Programs consists of the following:

	<u>2022</u>	<u>2021</u>
Revenues		
Golf revenue	\$ 1,209,264	\$ 1,111,625
Contributions and grants	47,811	45,119
Merchandise sales	18,523	17,563
Other	4,608	4,272
Total revenues	<u>1,280,206</u>	<u>1,178,579</u>
Expenses	<u>1,095,498</u>	<u>1,018,101</u>
	<u>\$ 184,708</u>	<u>\$ 160,478</u>

**12. Operating Lease**

Optimist leases an office in Canada under an operating lease. At September 30, 2022, the future minimum rental payments payable through 2023 under this lease are \$17,470.

Rent expense recognized by Optimist was \$23,145 and \$30,520 in 2022 and 2021, respectively.

**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**

Due from related parties consist of:

	<u>2022</u>	<u>2021</u>
Due from Optimist International Foundation	\$ 52,304	\$ 59,218
Due from Canadian Children's Optimist Foundation	3,520	1,397
Due from Optimistes Francophones Canadiens	<u>15,644</u>	<u>15,748</u>
	<u>\$ 71,468</u>	<u>\$ 76,363</u>

## OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

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

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. Additional administrative services are provided without charge.

During 2021, Optimist entered into a note receivable agreement with Optimistes Francophones Canadiens. The note has a principal balance of \$20,000 in Canadian dollars, bears no interest, and was due in full on or before September 30, 2022. Subsequent to September 30, 2022, the note was repaid in full. Optimist also provided a one-time grant to Optimistes Francophones Canadiens, subject to certain terms and conditions as outlined in the note receivable agreement.

Optimist International Foundation and Canadian Children's Optimist Foundation also provide grants to Optimist for various programs. The grants to Optimist totaled \$114,189 and \$99,129 for the years ended September 30, 2022 and 2021, respectively.

## 15. Contingencies

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, 2022, no such cancellations are expected.

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. In June 2020, Optimist's Board approved offering a settlement proposal that would result in approximately 53% of these adjustments being returned to Optimist. In 2021, the Agency issued a counter to Optimist's settlement proposal offering a net refund to Optimist of approximately \$210,000, which was approved by Optimist's Board. This refund was received in 2021, which is included in other income on the consolidated statement of activities.



## **OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION**

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

Optimist is involved in various claims, proceedings, and legal actions. These actions can involve claims for compensatory or punitive damages, as well as other types of relief. While the ultimate resolution of claims, proceedings, or legal action cannot be predicted with certainty, management, based on consultation with outside counsel, does not believe that any such claim, proceeding, or legal action, either alone or in the aggregation, will have a material adverse effect on the consolidated financial position of Optimist, but could be material to its changes in net assets or cash flows in one or more future years.

#### **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.

In January 2020, a novel strain of coronavirus (COVID-19) spread worldwide including the United States. The impact of the virus varies from region to region and from day to day, and any significant additional spreading of the virus could continue to affect Optimist's revenue and other support. 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 2023, 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 2023 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, 2024, and include provisions regarding compensation, benefits and effects of termination.

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

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Notes To Consolidated Financial Statements (*Continued*)

**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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,555,069	\$ 582,760
Investments	462,283	1,436,912
Accounts receivable, net	265,299	452,836
Due from related parties	71,468	76,363
	<u>\$ 2,354,119</u>	<u>\$ 2,548,871</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.

**19. Prior Period Adjustment**

Optimist has restated its previously issued 2021 consolidated financial statements to correct an error related to the recognition of eligible employee retention credits. As a result, employee retention credit revenue and the change in net assets for the year ended September 30, 2021 increased by \$353,832. Accounts receivable and undesignated - general net assets without donor restrictions as of September 30, 2021 also increased by \$353,832. This correction had no effect on net assets as of October 1, 2020.

## 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, 2022 and 2021, and have issued our report thereon dated February 16, 2023, which expressed an unmodified opinion on those consolidated financial statements. Our audits were conducted 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 audits of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*RubinBrown LLP*

February 16, 2023

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

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

**For The Years Ended September 30, 2022 And 2021**

	2022			2021		
	Actual	Budget	Favorable (Unfavorable)	Actual	Budget	Favorable (Unfavorable)
<b>Revenues</b>						
Dues and fees	\$ 2,869,461	\$ 2,923,827	\$ (54,366)	\$ 3,175,340	\$ 3,174,845	\$ 495
Charter fees	38,337	42,500	(4,163)	33,105	26,000	7,105
Life membership fees	40,907	32,500	8,407	39,308	32,500	6,808
JOI fees	80,637	160,302	(79,665)	191,772	168,352	23,420
International convention	220,980	305,700	(84,720)	196,105	287,000	(90,895)
Youth Programs Foundation revenues	1,280,206	1,264,680	15,526	1,178,579	1,266,119	(87,540)
Grant revenue	114,189	98,000	16,189	99,129	98,000	1,129
Income from sales of supplies	11,502	16,500	(4,998)	12,083	19,000	(6,917)
Income from royalties	792	—	792	16,590	25,000	(8,410)
Other	130,520	93,360	37,160	112,350	103,360	8,990
<b>Total Revenues</b>	4,787,531	4,937,369	(149,838)	5,054,361	5,200,176	(145,815)
<b>Expenditures</b>						
Allocated dues to districts	21,576	39,200	17,624	36,723	39,200	2,477
Club insurance premiums	582,504	563,310	(19,194)	580,182	590,000	9,818
Growth and member services	274,215	380,265	106,050	281,813	326,421	44,608
Club programs	55,649	54,181	(1,468)	50,795	55,342	4,547
Membership development	291,990	311,211	19,221	274,492	270,464	(4,028)
Communication	153,703	204,327	50,624	202,092	202,275	183
Meeting services	137,616	148,569	10,953	154,015	151,720	(2,295)
International convention	198,864	326,564	127,700	225,042	354,584	129,542
Canadian office services	76,950	30,000	(46,950)	297,498	282,340	(15,158)
Building maintenance	236,906	239,450	2,544	233,240	249,494	16,254
Finance, administration, information services and facilities	991,274	960,245	(31,029)	987,191	997,843	10,652
Loss on uncollectible accounts receivable	28,190	40,000	11,810	109,736	80,000	(29,736)
Executive director department	201,058	227,241	26,183	305,714	299,228	(6,486)
Board and officers	102,294	118,775	16,481	79,334	85,825	6,491
Committees	7,601	15,775	8,174	64,870	11,840	(53,030)
JOI programs	130,392	146,384	15,992	123,828	147,643	23,815
Youth Programs Foundation expenses	1,095,498	1,159,876	64,378	1,018,101	1,170,706	152,605
Capital improvements	4,619	39,162	34,543	8,005	39,162	31,157
Interest expense	18,428	20,075	1,647	21,326	21,825	499
Pension contributions	31,536	34,600	3,064	31,936	33,500	1,564
<b>Total Expenditures</b>	4,640,863	5,059,210	418,347	5,085,933	5,409,412	323,479
<b>Gain (Loss) On Foreign Currency Translation (Note 2)</b>	(124,631)	—	(124,631)	60,640	—	60,640
<b>Excess (Deficiency) Of Revenues Over Expenditures</b>	\$ 22,037	\$ (121,841)	\$ 143,878	\$ 29,068	\$ (209,236)	\$ 238,304

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, 2022

	Member Clubs	Members
Membership, September 30, 2021	2,119	54,594
New clubs and members	62	6,974
Less: Discontinued clubs and members	115	8,940
Membership, September 30, 2022	2,066	52,628

Officers and Directors - 2022-2023:

<b>Optimist International</b>	<b>Optimist International Youth Programs Foundation</b>
Robert McFadyen      President	Janet Lloyd            Chair
Tracy Huxley          President - Elect	Robert McFadyen      Board Member
Patsy Garner          Immediate Past President	Patsy Garner           Board Member
Robert Doyle          Board Member	Mark Weinsoff         Board Member
Russ Thomas          Board Member	Sandi Schmidt         Board Member
Carol Haynes          Board Member	Robert Doyle          Board Member
Janet Lloyd            Board Member	Bill Meyers            Board Member
Patrick Prendergast   Board Member	Marc Katz              Board Member
Terry Gorman         Board Member	Luc Dubois            Board Member
Fatima Zaidi          President of JOI (nonvoting)	Russ Thomas          Board Member
Cheryl Brenn          Executive Director (nonvoting)	Sandra Williams      Board Member
President of Optimist International	Dianne Josling        Board Member
Foundation (nonvoting)	Carol Haynes          Board Member
President of Canadian Children's	Claire Labreche       Board Member
Optimist Foundation (nonvoting)	Cheryl Brenn          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 - 2021-2022:

<b>Optimist International</b>	<b>Optimist International Youth Programs Foundation</b>
Patsy Garner          President	Mark Weinsoff         Chair
Robert McFadyen      President - Elect	Robert McFadyen      Board Member
Mark Weinsoff         Immediate Past President	Patsy Garner           Board Member
Robert Doyle          Board Member	Janet Lloyd            Board Member
Russ Thomas          Board Member	Sandi Schmidt         Board Member
Carol Haynes          Board Member	Robert Doyle          Board Member
Janet Lloyd            Board Member	Bill Meyers            Board Member
Luc Dubois            Board Member	Marc Katz              Board Member
Sandra Williams      Board Member	Luc Dubois            Board Member
Maya Gluck            President of JOI (nonvoting)	Russ Thomas          Board Member
Cheryl Brenn          Executive Director (nonvoting)	Sandra Williams      Board Member
President of Optimist International	Dianne Josling        Board Member
Foundation (nonvoting)	Cheryl Brenn          Executive Director (nonvoting)
President of Canadian Children's	Jan Oord Graves       President of Optimist International
Optimist Foundation (nonvoting)	Foundation (nonvoting)
	Jean-Claude St-Onge   President of Canadian Children's
	Optimist Foundation (nonvoting)