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**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**  
CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023

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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, 2023 and 2022, 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, 2023 and 2022, 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.

### *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*

January 25, 2024

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>September 30,</b>	
	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 690,649	\$ 1,555,069
Investments, carried at cost (Note 3)	1,986,695	462,283
Accounts receivable, net (Notes 4 and 8)	123,744	265,299
Due from related parties (Note 12)	44,737	71,468
Prepaid expenses and other current assets	356,664	269,283
Mineral rights asset, net (Note 2)	52,406	57,281
Net pension asset (Note 10)	1,448,483	1,122,757
Assets restricted for Board-designated endowment (Notes 3 and 9)	142,771	140,499
Property held for sale (Note 2)	197,756	197,756
Property and equipment, net (Notes 5, 6, 7 and 8)	9,897	27,862
Right-of-use asset (Note 6)	57,049	—
<b>Total Assets</b>	<b>\$ 5,110,851</b>	<b>\$ 4,169,557</b>

**Liabilities And Net Assets**

<b>Liabilities</b>		
Accounts payable	\$ 95,608	\$ 85,968
Accrued expenses and other liabilities	110,915	115,893
Accrued paid time off	222,023	204,179
Current portion of finance lease liability (Note 6)	11,529	19,528
Current portion of debt (Note 7)	44,299	42,143
Due to related party (Note 2)	—	21,271
Due to districts and clubs	51,784	72,761
Deferred revenue	47,417	15,543
Long-term portion of finance lease liability (Note 6)	45,247	—
Long-term portion of debt (Note 7)	229,124	273,424
<b>Total Liabilities</b>	<b>857,946</b>	<b>850,710</b>
<b>Net Assets Without Donor Restrictions</b>		
Undesignated - general	3,902,208	2,972,258
Board-designated endowment (Note 9)	142,771	140,499
Net investment in property and equipment	207,926	206,090
<b>Total Net Assets Without Donor Restrictions</b>	<b>4,252,905</b>	<b>3,318,847</b>
<b>Total Liabilities And Net Assets</b>	<b>\$ 5,110,851</b>	<b>\$ 4,169,557</b>

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

	For The Years Ended September 30,	
	2023	2022
<b>Revenues And Public Support</b>		
Optimist International		
Dues and fees	\$ 3,350,584	\$ 2,869,461
Charter fees	22,191	38,337
Life membership fees	38,226	40,907
International convention	248,227	220,980
Contributions and grants (Note 12)	22,500	114,189
Sales of supplies	11,555	11,502
Interest income	56,164	8,847
Other	164,955	167,280
Youth Programs		
JOI fees	104,721	80,637
Golf tournament	1,286,901	1,209,264
Contributions and grants	186,702	47,811
Merchandise sales	23,989	18,523
Other	251	4,608
<b>Total Revenues And Public Support</b>	<b>5,516,966</b>	<b>4,832,346</b>
<b>Expenses</b>		
Program Services		
Club programs	1,225,013	1,178,462
Youth programs	1,156,819	1,067,229
Education and community	657,121	582,087
Meetings	551,502	493,725
<b>Total Program Activities</b>	<b>3,590,455</b>	<b>3,321,503</b>
Supporting Services		
General management	1,160,043	1,198,274
Membership development	148,356	154,451
<b>Total Supporting Services</b>	<b>1,308,399</b>	<b>1,352,725</b>
<b>Total Expenses</b>	<b>4,898,854</b>	<b>4,674,228</b>
<b>Increase In Net Assets From Operations</b>	<b>618,112</b>	<b>158,118</b>
<b>Other Income (Expenses)</b>		
Gain (loss) on foreign currency translation (Note 2)	21,757	(124,631)
Other expenses (Notes 2 and 7)	—	(39,674)
Other components of net periodic pension cost (Note 10)	32,903	168,958
Pension plan changes other than net periodic benefit cost (Note 10)	261,286	(663,679)
<b>Total Other Income (Expenses)</b>	<b>315,946</b>	<b>(659,026)</b>
<b>Increase (Decrease) In Net Assets</b>	<b>934,058</b>	<b>(500,908)</b>
<b>Net Assets - Beginning Of Year</b>	<b>3,318,847</b>	<b>3,819,755</b>
<b>Net Assets - End Of Year</b>	<b>\$ 4,252,905</b>	<b>\$ 3,318,847</b>

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
For The Year Ended September 30, 2023**

	Program Services					General Management	Membership Development	Total
	Club Programs	Youth Programs	Education And Community	Meetings	Total			
Salaries and wages	\$ 248,573	\$ 82,537	\$ 399,016	\$ 156,161	\$ 886,287	\$ 589,217	\$ 84,806	\$ 1,560,310
Payroll taxes and employee benefits	62,541	18,959	91,636	34,598	207,734	201,433	20,752	429,919
Total salaries and related expenses	311,114	101,496	490,652	190,759	1,094,021	790,650	105,558	1,990,229
Awards	26,253	9,533	—	—	35,786	—	3,996	39,782
Bad debt expense	—	—	—	—	—	52,014	—	52,014
Bank/credit card fees	24,962	44,567	22	5,649	75,200	12,724	—	87,924
Canadian taxes	—	—	—	—	—	3,243	—	3,243
Conferences, conventions and meetings	20,457	—	19,393	244,754	284,604	4,911	2,713	292,228
Depreciation, amortization and depletion	5,202	—	5,263	1,700	12,165	7,140	1,410	20,715
Dues to districts/friends	51,340	—	—	—	51,340	—	—	51,340
Golf tournament expenses	—	80,360	—	—	80,360	3,987	—	84,347
Information technology	500	300	37,196	167	38,163	34,857	13	73,033
Insurance	631,255	—	—	—	631,255	36,190	—	667,445
Interest	—	—	—	—	—	16,586	—	16,586
Occupancy	31,783	—	32,162	10,383	74,328	43,686	8,610	126,624
Postage/shipping	6,988	4,111	27,164	9,202	47,465	2,243	1,102	50,810
Printing	15,770	9,161	23,626	1,758	50,315	8,499	3,705	62,519
Professional fees	—	—	—	—	—	67,332	—	67,332
Supplies, office and other expenses	1,478	3,748	2,150	1,616	8,992	3,016	101	12,109
Telephone	7,902	3,088	9,918	3,474	24,382	15,353	2,949	42,684
Travel - Junior Golf	—	900,455	—	—	900,455	12,005	—	912,460
Travel	90,009	—	9,575	82,040	181,624	45,607	18,199	245,430
	\$ 1,225,013	\$ 1,156,819	\$ 657,121	\$ 551,502	\$ 3,590,455	\$ 1,160,043	\$ 148,356	\$ 4,898,854

**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	592,218	—	—	—	592,218	35,101	—	627,319
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
	\$ 1,178,462	\$ 1,067,229	\$ 582,087	\$ 493,725	\$ 3,321,503	\$ 1,198,274	\$ 154,451	\$ 4,674,228



**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>For The Years Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ 934,058	\$ (500,908)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation, amortization and depletion	20,715	24,705
Imputed interest on finance lease obligations	1,765	1,556
(Gain) loss on foreign currency translation	(21,757)	124,631
Gain on termination of finance lease	(4,763)	—
Changes in assets and liabilities:		
Accounts receivable	141,991	183,948
Prepaid expenses and other current assets	(86,487)	(56,243)
Net pension asset	(325,726)	463,185
Accounts payable	9,467	14,570
Accrued expenses and other liabilities	(4,980)	(55,555)
Accrued paid time off	17,844	11,269
Deferred revenue	31,874	(30,637)
<b>Net Cash Provided By Operating Activities</b>	<b>714,001</b>	<b>180,521</b>
<b>Cash Flows From Investing Activities</b>		
Decrease in due from related parties	5,460	26,166
Proceeds from sale or maturity of investments	1,851,750	1,167,840
Purchases of investments	(3,372,700)	(300,633)
Purchases of property and equipment	(1,160)	(4,619)
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>(1,516,650)</b>	<b>888,754</b>
<b>Cash Flows From Financing Activities</b>		
Decrease in due to districts	(21,097)	(13,637)
Payments on finance lease obligations	(13,518)	(20,088)
Repayments of promissory notes payable	(42,144)	(40,092)
<b>Net Cash Used In Financing Activities</b>	<b>(76,759)</b>	<b>(73,817)</b>
<b>Effect Of Exchange Rate Changes On Cash</b>	<b>14,988</b>	<b>(23,149)</b>
<b>Net Increase (Decrease) In Cash And Cash Equivalents</b>	<b>(864,420)</b>	<b>972,309</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>1,555,069</b>	<b>582,760</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 690,649</b>	<b>\$ 1,555,069</b>
<b>Supplemental Cash Flow Information</b>		
Interest paid	\$ 14,821	\$ 16,872

# **OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2023 And 2022**

### **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 Youth Programs Foundation (Youth Programs) 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 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 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 1,965 and 2,059 clubs for the years ended September 30, 2023 and 2022, 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.

## **OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION**

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

#### **Basis Of Presentation**

Optimist follows accounting standards set by the Financial Accounting Standards Board. 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, 2023 or 2022.

#### **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, 2023, approximately \$396,000 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.

## **OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION**

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

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.

#### **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 2023 and 2022. Accumulated depletion on these mineral rights was \$45,094 and \$40,219 at September 30, 2023 and 2022, 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 2023 or 2022.

## OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

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Notes To Consolidated Financial Statements (*Continued*)

### **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, 2023 and 2022. This property is stated at cost, including improvements, less accumulated depreciation through the date the property was available for sale.

As of the date of the Independent Auditors Report, Optimist is under contract for the purchase of Optimist's property held for sale, which is subject to several contingencies.

### **Leases**

On October 1, 2022, Optimist utilized the modified retrospective approach to adopt the provisions of Accounting Standards Codification (ASC) Topic 842, *Leases*, which includes a number of optional practical expedients that entities may elect to apply. Optimist has elected certain practical expedients, including the use of hindsight in determining the lease at transition and in assessing impairment of an entity's right-of-use (ROU) assets and the package of practical expedients to not reassess prior conclusions related to contracts containing leases or lease classification and initial direct costs. Optimist has also elected the practical expedient not to reassess whether existing leases that were not previously accounted for as leases under the prior lease standard are or contain a lease under ASC 842. The initial adoption of ASC 842 did not result in a cumulative adjustment to net assets. Results for the year ended September 30, 2023 are presented under ASC 842, while the prior period consolidated financial statements have not been adjusted and continue to be presented under ASC 840, the accounting standard in effect at that time.

As further described in Note 6, Optimist maintains a lease of commercial printers. Lease ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The ROU assets represent the lease liability, plus any lease payments made at or before the commencement date, less any lease incentives received. Optimist does not record ROU assets or lease liabilities for leases with an initial expected lease term of 12 months or less. For operating leases, lease expense for minimum lease payments is recognized on a straight-line basis over the term of the lease.

The lease terms utilized in determining ROU assets and lease liabilities include the non-cancellable portion of the underlying leases. No leases currently contain renewal periods stated in the lease. Optimist has not included any termination penalties in its lease payments, nor shortened any lease terms related to options to terminate a lease.

## **OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION**

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

As most leases do not provide an implicit discount rate, Optimist has made an election available to private companies that allows the use of the risk-free rate at the lease commencement date to determine the present value of the lease payments.

Optimist does not separate non-lease components of a contract from the lease components to which they relate.

#### **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.

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.

## **OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION**

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Notes To Consolidated Financial Statements (*Continued*)

### **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.

### **Golf Tournament**

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.

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

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Notes To Consolidated Financial Statements (*Continued*)

**Merchandise Sales**

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, 2021</b>	<b>September 30, 2022</b>	<b>September 30, 2023</b>
Dues and fees	\$ 209,108	\$ 136,926	\$ 110,151
Golf tournament	—	30,000	30,000
	<u>\$ 209,108</u>	<u>\$ 166,926</u>	<u>\$ 140,151</u>

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

	<b>October 1, 2021</b>	<b>September 30, 2022</b>	<b>September 30, 2023</b>
Golf tournament	\$ 46,180	\$ 15,543	\$ 43,739

**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.

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.



**OPTIMIST INTERNATIONAL  
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Notes To Consolidated Financial Statements (*Continued*)

**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 recognized the employee retention credit when conditions for earning it were 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, 2023, no credits were outstanding. At September 30, 2022, credits of \$174,749 were outstanding and were included in accounts receivable on the consolidated statement of financial position.

In 2022, based on allocation of employees, Optimist International granted \$39,674 of their employee retention credit to Optimist International Foundation, which was included in other expenses on the consolidated statement of activities for the year ended September 30, 2022. At September 30, 2023, no amount remained payable. At September 30, 2022, \$21,271 remained payable to Optimist International Foundation and was included in due to related party on the consolidated statement of financial position.

## 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 (gain) loss was (\$21,757) and \$124,631 for the years ended September 30, 2023 and 2022, 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 1,965 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 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 600 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  
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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.

**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).

**Reclassifications**

Certain 2022 balances have been reclassified, as appropriate, to conform with the 2023 consolidated financial statement presentation.

**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>2023</u>	<u>2022</u>
Guaranteed investment certificates	\$ 1,905,556	\$ 381,387
Certificate of deposit	81,139	80,896
	<u>\$ 1,986,695</u>	<u>\$ 462,283</u>

## OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

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

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. At September 30, 2023 and 2022, \$142,771 and \$140,499 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, 2023 and 2022 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 2023 and 2022, 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>2023</u>	<u>2022</u>
Accounts receivable from clubs	\$ 110,151	\$ 136,926
Other receivables	65,662	209,475
Allowance for doubtful accounts	(52,069)	(81,102)
	<u>\$ 123,744</u>	<u>\$ 265,299</u>

#### 5. Property And Equipment

Property and equipment consist of:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 1,018,619	\$ 1,096,985
Less: Accumulated depreciation and amortization	1,008,722	1,069,123
	<u>\$ 9,897</u>	<u>\$ 27,862</u>

Depreciation and amortization expense amounted to \$15,840 and \$19,830 for the years ended September 30, 2023 and 2022, respectively.

**OPTIMIST INTERNATIONAL  
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Notes To Consolidated Financial Statements (*Continued*)

**6. Leases**

**Under ASC 842**

During 2023, Optimist entered into a finance lease agreement for printers and copiers that expires in 2028. There are no renewal options. Optimist does not have any short-term lease costs.

Optimist also had an office in Canada under an operating lease that expired in 2023.

The components of lease costs for the year ended September 30, 2023 are as follows:

<b>Finance Lease Costs</b>	<b>Classification</b>	
Amortization of ROU asset	<i>Depreciation, amortization and depletion</i>	\$ 9,349
Interest	<i>Interest</i>	<u>1,765</u>
		<u>\$ 11,114</u>
<b>Operating Lease Costs</b>	<b>Classification</b>	
Operating lease costs	<i>Occupancy</i>	<u>\$ 11,341</u>

Supplemental cash flow and other information related to leases is as follows:

<b>Cash Flow Information:</b>	
ROU assets obtained in exchange for new finance lease obligations	\$ 65,345
Cash paid for operating leases included in operating activities	11,341
Cash paid for finance leases included in operating activities	1,765
Cash paid for finance leases included in financing activities	13,518
<b>Other Information:</b>	
Remaining term - finance lease	4.58 years
Discount rate - finance lease	3.94%

**OPTIMIST INTERNATIONAL  
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Notes To Consolidated Financial Statements (*Continued*)

Undiscounted cash flows for each of the next five years of the lease reconciled to the liabilities recorded on the consolidated statement of financial position is as follows:

<u>Year</u>	<u>Finance Lease</u>
2024	\$ 13,560
2025	13,560
2026	13,560
2027	13,560
2028	7,910
Total minimum lease payments	62,150
Less: Amount of lease payments representing interest	5,374
Present value of future minimum lease payments	56,776
Less: Current portion	11,529
	<u>\$ 45,247</u>

**Under ASC 840**

On October 1, 2022, Optimist adopted the new lease standard using the modified-retrospective approach by recognizing and measuring leases at the adopting date with a cumulative effect of initially applying the guidance recognized at the date of initial applicable and did not restate the prior periods presented in the consolidated financial statements. Accordingly, the following information is presented for the year ended September 30, 2022 under ASC 840.

Optimist had the following future minimum payments required under finance leases (capital leases per ASC 840) at September 30, 2022:

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

Interest expense associated with the capital lease amounted to \$1,556 for the year ended September 30, 2022. During 2023, the capital lease was terminated early and a gain of \$4,763 was recognized for the year ended September 30, 2023 which is included in other revenue on the consolidated statement of activities.

**OPTIMIST INTERNATIONAL  
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Notes To Consolidated Financial Statements (*Continued*)

In addition, future minimum lease payments under an operating lease for an office in Canada through 2023 was \$17,470 at September 30, 2022. Rent expense from this operating lease was \$23,145 for the year ended September 30, 2022.

**7. Debt**

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. 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, 2023 and 2022, the promissory note had an outstanding balance of \$273,423 and \$315,567, respectively.

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

<b>Year</b>	<b>Amount</b>
2024	\$ 44,299
2025	46,566
2026	48,948
2027	51,453
2028	54,085
Thereafter	28,072
	<u>\$ 273,423</u>

For the years ended September 30, 2023 and 2022, interest expense related to the promissory note amounted to \$14,821 and \$16,872, respectively.

**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% (10.50% at September 30, 2023) and terminates on April 8, 2024. The line of credit is secured by an interest in Optimist's inventory, accounts receivable and equipment.



**OPTIMIST INTERNATIONAL  
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Notes To Consolidated Financial Statements (*Continued*)

As of September 30, 2023 and 2022, no amount is due under the line-of-credit agreement. No interest expense was incurred in 2023 or 2022.

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

Optimist had the following endowment funds without donor restrictions:

	<u>2023</u>	<u>2022</u>
Board-designated endowment funds	\$ 142,771	\$ 140,499

Changes in the endowment fund are as follows:

	<u>Without Donor Restrictions</u>
Balance - October 1, 2021	\$ 132,109
Contributions to Board-designated endowment	3,860
Investment return	<u>4,530</u>
Balance - September 30, 2022	140,499
Contributions to Board-designated endowment	<u>2,272</u>
Balance - September 30, 2023	<u>\$ 142,771</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  
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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, 2022. 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 2023 or 2022. 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, 2023 and 2022, as estimated by the consulting actuary:

	<b>2023</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	\$ 1,692,645	\$ 140,905	\$ 1,833,550
Interest cost	82,214	6,497	88,711
Actuarial (gain) loss	(19,532)	15,141	(4,391)
Benefits paid	(192,250)	(31,536)	(223,786)
Benefit obligation at end of year	1,563,077	131,007	1,694,084
<b>Change In Plan Assets</b>			
Fair value of plan assets at beginning of year	2,956,307	—	2,956,307
Actual gain on plan assets	378,510	—	378,510
Employer contribution	—	31,536	31,536
Benefits paid	(192,250)	(31,536)	(223,786)
Fair value of plan assets at end of year	3,142,567	—	3,142,567
Funded status	\$ 1,579,490	\$ (131,007)	\$ 1,448,483

**OPTIMIST INTERNATIONAL  
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Notes To Consolidated Financial Statements (*Continued*)

	<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)
Benefit obligation at end of year	1,692,645	140,905	1,833,550
<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)
Fair value of plan assets at end of year	2,956,307	—	2,956,307
Funded status	\$ 1,263,662	\$ (140,905)	\$ 1,122,757

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, 2023 and 2022.

The supplemental pension plan is currently unfunded and will be funded by Optimist as benefits are due to participants. Expected contributions in 2024 are \$30,000.

The following is a summary of the components of net periodic pension cost for the years ended September 30, 2023 and 2022:

	<b>2023</b>		
	<b>Defined Benefit Pension Plan</b>	<b>Supplemental Pension Plan</b>	<b>Total Pension Plans</b>
Interest cost	\$ 82,214	\$ 6,497	\$ 88,711
Expected return on plan assets	(200,395)	—	(200,395)
Net amortization	68,877	9,904	78,781
Other components of net periodic pension cost	(49,304)	16,401	(32,903)
Service cost	—	—	—
	\$ (49,304)	\$ 16,401	\$ (32,903)

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

Notes To Consolidated Financial Statements (*Continued*)

	<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>

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:

	<b>2023</b>		
	<b>Defined Benefit Pension Plan</b>	<b>Supplemental Pension Plan</b>	<b>Total Pension Plans</b>
Current year actuarial gain	\$ (68,877)	\$ (9,904)	\$ (78,781)
Amortization of actuarial loss	(197,646)	15,141	(182,505)
	<b>\$ (266,523)</b>	<b>\$ 5,237</b>	<b>\$ (261,286)</b>

	<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
	<b>\$ 670,070</b>	<b>\$ (6,391)</b>	<b>\$ 663,679</b>

**OPTIMIST INTERNATIONAL  
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Notes To Consolidated Financial Statements (*Continued*)

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, 2024:

	<b>Defined Benefit Pension Plan</b>	<b>Supplemental Pension Plan</b>	<b>Total Pension Plans</b>
Net prior service cost	\$ —	\$ —	\$ —
Net amortization	51,820	11,586	63,406
Transition obligation	—	—	—
	<u>\$ 51,820</u>	<u>\$ 11,586</u>	<u>\$ 63,406</u>

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 2023 or 2022.

**OPTIMIST INTERNATIONAL  
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Notes To Consolidated Financial Statements (*Continued*)

The following table sets forth the weighted average assumptions used to determine net period pension cost and benefit obligations as of September 30, 2023 and 2022:

	2023		2022	
	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	5.61%	5.61%	5.14%	5.14%
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	5.61%	5.61%	5.14%	5.14%
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 2024 through 2028 and thereafter are as follows:

Year	Defined Benefit Pension Plan	Supplemental Pension Plan	Total Pension Plans
2024	\$ 183,000	\$ 29,000	\$ 212,000
2025	175,000	25,000	200,000
2026	164,000	21,000	185,000
2027	157,000	18,000	175,000
2028	149,000	15,000	164,000
2029-2033	597,000	38,000	635,000
	\$ 1,425,000	\$ 146,000	\$ 1,571,000

Management has estimated, based on actuarial information, that no contribution was required for the defined benefit pension plan for the year ended September 30, 2024.

**OPTIMIST INTERNATIONAL  
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Notes To Consolidated Financial Statements (*Continued*)

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, 2023 and 2022, 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, 2023</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	\$ 657,145	\$ —	\$ —	\$	\$ 657,145
Mutual funds:					
Mid-cap value	120,743	—	—		120,743
Mid-cap growth	237,782	—	—		237,782
Large-cap value	382,246	—	—		382,246
Large-cap growth	447,892	—	—		447,892
Large-cap blend	674,323	—	—		674,323
Multisector bond	304,512	—	—		304,512
High-yield bond	317,924	—	—		317,924
	<b>\$ 3,142,567</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$</b>	<b>\$ 3,142,567</b>



**OPTIMIST INTERNATIONAL  
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Notes To Consolidated Financial Statements (*Continued*)

Asset Category	Fair Value Measurements At September 30, 2022			Total
	Quoted Prices In Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
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
	\$ 2,956,307	\$ —	\$ —	\$ 2,956,307

**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 \$74,833 and \$69,817 in 2023 and 2022, 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 2023 or 2022.

**11. 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.

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

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Notes To Consolidated Financial Statements (*Continued*)

**12. Related Party Transactions**

Due from related parties consist of:

	<u>2023</u>	<u>2022</u>
Due from Optimist International Foundation	\$ 42,861	\$ 52,304
Due from Canadian Children's Optimist Foundation	1,876	3,520
Due from Optimistes Francophones Canadiens	—	15,644
	<u>\$ 44,737</u>	<u>\$ 71,468</u>

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 had a principal balance of \$20,000 in Canadian dollars, bore no interest, and was due in full on or before September 30, 2022. During 2023, 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 \$168,633 and \$114,189 for the years ended September 30, 2023 and 2022, respectively.

**13. 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, 2023, no such cancellations are expected.

## 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.

#### 14. 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.

#### 15. 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.

#### 16. 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 690,649	\$ 1,555,069
Investments	1,986,695	462,283
Accounts receivable, net	123,744	265,299
Due from related parties	44,737	71,468
	<u>\$ 2,845,825</u>	<u>\$ 2,354,119</u>

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

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Notes To Consolidated Financial Statements (*Continued*)

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.

## 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, 2023 and 2022, and have issued our report thereon dated January 25, 2024, 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*

January 25, 2024

**OPTIMIST INTERNATIONAL  
AND RELATED ORGANIZATION**

**SCHEDULE OF CONSOLIDATED REVENUES, EXPENDITURES  
AND COMPARISON WITH BUDGET  
For The Years Ended September 30, 2023 And 2022**

	2023			2022		
	Actual	Budget	Favorable (Unfavorable)	Actual	Budget	Favorable (Unfavorable)
<b>Revenues</b>						
Optimist International						
Dues and fees	\$ 3,350,584	\$ 3,370,000	\$ (19,416)	\$ 2,869,461	\$ 2,923,827	\$ (54,366)
Charter fees	22,191	33,000	(10,809)	38,337	42,500	(4,163)
Life membership fees	38,226	32,500	5,726	40,907	32,500	8,407
International convention	248,227	275,664	(27,437)	220,980	305,700	(84,720)
Grants	22,500	22,500	—	114,189	98,000	16,189
Income from sales of supplies	11,555	13,000	(1,445)	11,502	16,500	(4,998)
Interest income	56,164	8,000	48,164	8,847	—	8,847
Other	164,955	116,000	48,955	167,280	93,360	73,920
Youth Programs						
JOI fees	104,721	141,502	(36,781)	80,637	160,302	(79,665)
Golf	1,286,901	1,269,750	17,151	1,209,264	1,228,480	(19,216)
Contributions and grants	186,702	163,300	23,402	47,811	15,000	32,811
Merchandise sales	23,989	21,000	2,989	18,523	21,000	(2,477)
Other	251	—	251	4,608	200	4,408
<b>Total Revenues</b>	<b>5,516,966</b>	<b>5,466,216</b>	<b>50,750</b>	<b>4,832,346</b>	<b>4,937,369</b>	<b>(105,023)</b>
<b>Expenditures</b>						
Allocated dues to districts	16,196	35,000	18,804	21,576	39,200	17,624
Club insurance premiums	667,445	591,475	(75,970)	627,319	563,310	(64,009)
Growth and member services	277,992	390,933	112,941	274,215	380,265	106,050
Club programs	—	—	—	55,649	54,181	(1,468)
Membership development	343,139	382,788	39,649	291,990	311,211	19,221
Communication	176,597	203,760	27,163	153,703	204,327	50,624
Meeting services	137,723	151,967	14,244	137,616	148,569	10,953
International convention	242,095	284,156	42,061	198,864	326,564	127,700
Canadian office services	21,429	63,285	41,856	76,950	30,000	(46,950)
Building maintenance	235,329	243,372	8,043	236,906	239,450	2,544
Finance, administration, information services and facilities	949,861	992,251	42,390	991,274	960,245	(31,029)
Loss on uncollectible accounts receivable	52,014	50,870	(1,144)	28,190	40,000	11,810
Executive director department	217,746	220,219	2,473	201,058	227,241	26,183
Board and officers	125,656	145,740	20,084	102,294	118,775	16,481
Committees	11,663	14,925	3,262	7,601	15,775	8,174
JOI programs	145,118	211,241	66,123	130,392	146,384	15,992
Youth Programs expenses	1,241,550	1,252,312	10,762	1,095,498	1,159,876	64,378
Capital improvements	1,160	500	(660)	4,619	39,162	34,543
Interest expense	16,586	15,381	(1,205)	18,428	20,075	1,647
Pension contributions	31,536	34,200	2,664	31,536	34,600	3,064
<b>Total Expenditures</b>	<b>4,910,835</b>	<b>5,284,375</b>	<b>373,540</b>	<b>4,685,678</b>	<b>5,059,210</b>	<b>373,532</b>
<b>Gain (Loss) On Foreign Currency Translation (Note 2)</b>	<b>21,757</b>	<b>—</b>	<b>21,757</b>	<b>(124,631)</b>	<b>—</b>	<b>(124,631)</b>
<b>Excess (Deficiency) Of Revenues Over Expenditures</b>	<b>\$ 627,888</b>	<b>\$ 181,841</b>	<b>\$ 446,047</b>	<b>\$ 22,037</b>	<b>\$ (121,841)</b>	<b>\$ 143,878</b>

# OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

## SCHEDULE OF CHANGES IN MEMBERSHIP AND OFFICERS AND DIRECTORS For The Year Ended September 30, 2023

	Member Clubs	Members
Membership, September 30, 2022	2,059	52,543
New clubs and members	41	6,184
Less: Discontinued clubs and members	135	9,904
Membership, September 30, 2023	1,965	48,823

Officers and Directors - 2023-2024:

### Optimist International

Tracy Huxley	President
Jan Oord Graves	President - Elect
Robert McFadyen	Immediate Past President
Patrick Prendergast	Board Member
Carol Haynes	Board Member
Russ Thomas	Board Member
Terry Gorman	Board Member
Sandi Schmidt	Board Member
Rod McKendrick	Board Member
Mason McSwegin	President of JOI (nonvoting)
Cheryl Brenn	Executive Director (nonvoting)
Teri Davis	President of Optimist International Foundation (nonvoting)
Tim Bell	President of Canadian Children's Optimist Foundation (nonvoting)

### Optimist International Youth Programs Foundation

Rod McKendrick	Chair
Robert McFadyen	Board Member
Jan Oord Graves	Board Member
Terry Gorman	Board Member
Patrick Prendergast	Board Member
Russ Thomas	Board Member
Tracy Huxley	Board Member
Sandi Schmidt	Board Member
Carol Haynes	Board Member
Lawson Headley	Board Member
Kathleen Manchec	Board Member
Cheryl Brenn	Executive Director
Teri Davis	President of Optimist International Foundation
Tim Bell	President of Canadian Children's Optimist Foundation

Officers and Directors - 2022-2023:

### Optimist International

Robert McFadyen	President
Tracy Huxley	President - Elect
Patsy Garner	Immediate Past President
Russ Thomas	Board Member
Carol Haynes	Board Member
Terry Gorman	Board Member
Patrick Prendergast	Board Member
Robert Doyle	Board Member
Janet Lloyd	Board Member
Fatima Zaidi	President of JOI (nonvoting)
Cheryl Brenn	Executive Director (nonvoting)
Debra Merritt	President of Optimist International Foundation (nonvoting)
Ann Richer-Doyle	President of Canadian Children's Optimist Foundation (nonvoting)

### Optimist International Youth Programs Foundation

Janet Lloyd	Chair
Robert McFadyen	Board Member
Patsy Garner	Board Member
Robert Doyle	Board Member
Patrick Prendergast	Board Member
Russ Thomas	Board Member
Tracy Huxley	Board Member
Terry Gorman	Board Member
Carol Haynes	Board Member
Lawson Headley	Board Member
Michael Goldman	Board Member
Cheryl Brenn	Executive Director
Debra Merritt	President of Optimist International Foundation
Ann Richer-Doyle	President of Canadian Children's Optimist Foundation