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**OPTIMIST INTERNATIONAL  
FOUNDATION**  
*FINANCIAL STATEMENTS*  
*SEPTEMBER 30, 2019*

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## Independent Auditors' Report

Board of Directors  
Optimist International Foundation  
St. Louis, Missouri

### Report On The Financial Statements

We have audited the accompanying financial statements of Optimist International Foundation, which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Optimist International Foundation as of September 30, 2019, and the changes in its net assets, functional expenses and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis Of Matter*

As discussed in Note 1 to the financial statements, the 2019 financial statements have been restated in connection with implementing Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* which changed the presentation of certain items in the financial statements, which are discussed in Note 1 to the financial statements. Our opinion is not modified with respect to this matter.

### **Report On Summarized Comparative Information**

We have previously audited Optimist International Foundation's 2018 financial statements, and our report dated February 3, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*RubinBrown LLP*

February 3, 2020

# OPTIMIST INTERNATIONAL FOUNDATION

## STATEMENT OF FINANCIAL POSITION

September 30, 2019

(With Summarized Financial Information As Of September 30, 2018)

	Assets	
	2019	2018
<b>Current Assets</b>		
Cash	\$ 269,350	\$ 298,635
Promises to give - short term (Note 3)	95,213	374,079
Promissory note receivable - short term (Note 6)	36,284	34,518
Prepaid expenses and other assets	26,579	26,259
Investments (Note 4)	6,315,246	6,432,239
Cash surrender value of life insurance policies	71,980	95,011
<b>Total Current Assets</b>	<b>6,814,652</b>	<b>7,260,741</b>
<b>Property And Equipment (Note 5)</b>	<b>28,130</b>	<b>27,741</b>
<b>Promissory Note Receivable (Note 6)</b>	<b>393,800</b>	<b>430,085</b>
<b>Promises To Give (Note 3)</b>	<b>292,747</b>	<b>6,000</b>
<b>Beneficial Interest In Perpetual Trust (Note 7)</b>	<b>205,922</b>	<b>180,233</b>
<b>Assets Restricted For Permanent Investment (Note 4)</b>	<b>2,295,064</b>	<b>2,234,537</b>
<b>Total Assets</b>	<b>\$ 10,030,315</b>	<b>\$ 10,139,337</b>
	<b>Liabilities And Net Assets</b>	
<b>Current Liabilities</b>		
Accounts payable and accrued expenses (Note 9)	\$ 715,889	\$ 688,580
Contests and scholarships payable:		
Oratorical contest	833,767	789,130
CCDHH contest	278,382	388,614
Essay contest	247,250	232,250
Due to Optimist International (Note 9)	212,416	157,449
Due to Member Clubs (Note 9)	2,317,410	2,407,013
Grants payable	65,561	56,304
Gift annuities payable (Note 10)	199,145	210,188
<b>Total Current Liabilities</b>	<b>4,869,820</b>	<b>4,929,528</b>
<b>Net Assets</b>		
Without donor restrictions (Note 8)	841,740	1,007,248
With donor restrictions (Note 8)	4,318,755	4,202,561
<b>Total Net Assets</b>	<b>5,160,495</b>	<b>5,209,809</b>
<b>Total Liabilities And Net Assets</b>	<b>\$ 10,030,315</b>	<b>\$ 10,139,337</b>

# OPTIMIST INTERNATIONAL FOUNDATION

## STATEMENT OF ACTIVITIES For The Year Ended September 30, 2019 (With Summarized Financial Information For The Year Ended September 30, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Support, Revenues And Gains (Losses)</b>				
Public Support:				
Contributions	\$ 591,483	\$ 155,236	\$ 746,719	\$ 701,560
Endowments	—	60,527	60,527	45,363
Club grant program (Note 9)	—	300,109	300,109	366,399
Contributions restricted for scholarships	—	26,674	26,674	38,500
Other, including expired scholarships (Note 2)	144,336	3,904	148,240	6,810
<b>Total Public Support</b>	<b>735,819</b>	<b>546,450</b>	<b>1,282,269</b>	<b>1,158,632</b>
Revenues And Gains (Losses):				
Interest and dividends (Note 6)	136,994	42,002	178,996	154,286
Unrealized and realized gains on investments, net	63,983	24,487	88,470	662,711
Change in value of charitable gift annuities and beneficial interest in perpetual trust (Notes 7 and 10)	(10,514)	25,689	15,175	(11,332)
Other losses	(2,000)	—	(2,000)	(642)
<b>Total Revenues And Gains (Losses)</b>	<b>188,463</b>	<b>92,178</b>	<b>280,641</b>	<b>805,023</b>
Net assets released from restrictions (Note 8)	522,434	(522,434)	—	—
<b>Total Support, Revenues And Gains (Losses)</b>	<b>1,446,716</b>	<b>116,194</b>	<b>1,562,910</b>	<b>1,963,655</b>
<b>Expenses</b>				
Program Services	1,305,440	—	1,305,440	1,408,046
Supporting Activities:				
Management and general	191,062	—	191,062	129,367
Fundraising	115,722	—	115,722	100,819
<b>Total Supporting Activities</b>	<b>306,784</b>	<b>—</b>	<b>306,784</b>	<b>230,186</b>
<b>Total Expenses</b>	<b>1,612,224</b>	<b>—</b>	<b>1,612,224</b>	<b>1,638,232</b>
<b>Increase (Decrease) In Net Assets</b>	<b>(165,508)</b>	<b>116,194</b>	<b>(49,314)</b>	<b>325,423</b>
Net Assets - Beginning Of Year - As Previously Stated	965,960	4,243,849	5,209,809	4,884,386
Cumulative Effect Of Change In Accounting Principle (Note 2)	41,288	(41,288)	—	—
Net Assets - Beginning Of Year, As Restated	1,007,248	4,202,561	5,209,809	4,884,386
Net Assets - End Of Year	\$ 841,740	\$ 4,318,755	\$ 5,160,495	\$ 5,209,809

# OPTIMIST INTERNATIONAL FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended September 30, 2019 (With Summarized Financial Information For The Year Ended September 30, 2018)

	2019				2018
	Program Services	Management And General	Fundraising	Total	Total
Scholarships	\$ 488,900	\$ —	\$ —	\$ 488,900	\$ 490,441
Grants	580,118	—	—	580,118	702,305
Conferences and meetings	7,297	7,297	—	14,594	10,606
Publications	10,000	—	—	10,000	10,000
Depreciation and IT costs	10,361	3,718	2,632	16,711	15,513
Volunteer activities	20,912	20,912	—	41,824	32,512
Planned giving	2,625	—	875	3,500	3,500
Salaries and related costs	185,227	66,473	47,055	298,755	276,610
Dues and subscriptions	—	834	—	834	2,178
Filing fees	—	4,393	—	4,393	5,083
Bank charges	—	15,706	—	15,706	15,492
Miscellaneous	—	912	—	912	2,430
Professional services	—	68,155	—	68,155	14,900
Staff training	—	—	—	—	74
Telephone	—	2,662	—	2,662	2,654
Donor awards and recognition	—	—	38,927	38,927	25,534
Collectors' plates/prints	—	—	20,566	20,566	21,519
Office supplies	—	—	1,665	1,665	3,579
Printing	—	—	4,002	4,002	3,302
<b>Total Expenses</b>	<b>\$ 1,305,440</b>	<b>\$ 191,062</b>	<b>\$ 115,722</b>	<b>\$ 1,612,224</b>	<b>\$ 1,638,232</b>

# OPTIMIST INTERNATIONAL FOUNDATION

## STATEMENT OF CASH FLOWS For The Year Ended September 30, 2019 (With Summarized Financial Information For The Year Ended September 30, 2018)

	2019	2018
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ (49,314)	\$ 325,423
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation and amortization	782	645
Contributions restricted for endowment	(60,527)	(45,363)
Realized gains on investments	(402,692)	(339,405)
Unrealized (gains) losses on investments	314,222	(323,306)
Decrease in cash value of life insurance	23,031	641
Change in value of charitable gift annuity obligations and beneficial interest in perpetual trust	(15,175)	11,332
Changes in assets and liabilities:		
Promises to give	(7,881)	47,505
Prepaid expenses and other assets	(320)	(299)
Accounts payable and accrued expenses	27,309	(9,946)
Contests and scholarships payable	(50,595)	27,291
Due to Optimist International	54,967	(10,012)
Due to Member Clubs	(89,603)	136,461
Grants payable	9,256	13,032
<b>Net Cash Used In Operating Activities</b>	<b>(246,540)</b>	<b>(166,001)</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of investments	415,000	597,524
Purchases of investments	(281,564)	(671,452)
Payments on promissory note receivable	34,519	32,838
Purchases of property and equipment	(1,171)	—
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>166,784</b>	<b>(41,090)</b>
<b>Cash Flows From Financing Activities</b>		
Payments on charitable gift annuity obligations	(21,556)	(22,246)
Proceeds from contributions restricted for investment in permanent endowment	72,027	57,664
<b>Net Cash Provided By Financing Activities</b>	<b>50,471</b>	<b>35,418</b>
<b>Net Decrease In Cash</b>	<b>(29,285)</b>	<b>(171,673)</b>
<b>Cash - Beginning Of Year</b>	<b>298,635</b>	<b>470,308</b>
<b>Cash - End Of Year</b>	<b>\$ 269,350</b>	<b>\$ 298,635</b>



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# OPTIMIST INTERNATIONAL FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

September 30, 2019

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### 1. Organization And Operations

Optimist International Foundation (the Foundation), incorporated in February 1971, is a foundation and charitable corporation established for the general purpose of soliciting and receiving gifts, donations and bequests of money and property to be used for the furtherance of the charitable and educational efforts and activities of Optimist International. The Foundation also acts as a custodian and investment manager for various funds that have been donated to or accumulated by Optimist International Clubs. The Foundation supports Optimist International programs.

### 2. Summary Of Significant Accounting Policies

#### Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Foundation has adopted ASU 2016-14 and applied its provisions to the financial statements for the fiscal year ended September 30, 2019.

The ASU appends the current reporting model for not-for-profit organizations and enhances their required disclosures. The primary changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed-in-service approach to recognize the expiration of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all not-for-profit s present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, and (f) presenting investment return net of external and direct internal investment expenses.

Accordingly, a reclassification of net assets has been made to confirm beginning net asset balances to the current presentation.

## OPTIMIST INTERNATIONAL FOUNDATION

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

Under the new standard, underwater donor-restricted endowment funds are shown within the donor-restricted net asset class which is a change from the previously required classification as net assets without donor restrictions. The effect of this change has been applied retrospectively. As of September 30, 2018, net assets without donor restrictions were restated and increased \$41,288 and net assets with donor restrictions decreased \$41,288 as a result of this change. This had no effect on the change in net assets or total net assets.

#### **Basis Of Accounting**

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

#### **Basis Of Presentation**

In accordance with ASU 2016-14, the Foundation reports information regarding its financial position and activities according to the following net asset classifications:

**Net Assets Without Donor Restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of management and the Board of Directors.

**Net Assets With Donor Restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended September 30, 2018, from which the summarized information was derived.

#### **Estimates And Assumptions**

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

## OPTIMIST INTERNATIONAL FOUNDATION

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### Notes To Financial Statements (Continued)

#### **Investments And Assets Restricted For Permanent Investment**

Investments are reported at fair value based on quoted market prices of major securities exchanges. 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 statement of financial position. 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.

Donated investments are recorded at their fair values (based upon quotations or appraisals) at the date of the gift.

#### **Promises To Give**

Unconditional promises to give are recognized as support in the period the promises are received. Conditional contributions are recognized as support when the conditions on which they depend have been substantially met.

The Foundation provides an allowance for uncollectible promises to give equal to the estimated collection losses that will be incurred in the collection of all unconditional promises to give. The estimated losses are based on a review of the current status of the existing promises to give.

#### **Property And Equipment**

Property and equipment are stated at cost, less accumulated depreciation and amortization computed using the straight-line method over the following useful lives:

Computer equipment and software	3 - 5 years
Furniture and fixtures	5 - 15 years
Leasehold improvements	5 - 15 years

Artwork is carried at cost.

#### **Support**

Gifts of cash and other assets are reported as support with donor restrictions if the gifts 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 restrictions and reported in the statement of activities as net assets released from restrictions.

## **OPTIMIST INTERNATIONAL FOUNDATION**

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

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

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

##### **Oratorical Contest Scholarships Program**

An annual speech competition with approximately 16,000 entrants. Scholarships are awarded in district level contests in the United States.

##### **Communications Contest For The Deaf And Hard Of Hearing Scholarships Program (CCDHH)**

A program that awards scholarships to district winners. Scholarships are awarded to each individual winner and are payable upon receipt of the correct paperwork from an institution of higher learning. During 2019, the Foundation revoked scholarships that were awarded and expensed in prior periods that were unclaimed as of September 30, 2019, resulting in net "revenue" from this program of approximately \$79,000.

##### **Essay Contest Scholarships Program**

An annual competition for high school students with over 7,100 entrants. Scholarships are awarded and attendance sponsored at seminars for district winners.

##### **Youth Club Programs**

Scholarships to support Youth Club activities.

##### **Club Grant Program**

Grants for member clubs utilized for charitable, literary and educational programs at the direction of the Foundation in conjunction with support from the member clubs.

##### **Charitable, Literary And Educational Programs**

Grants for magazine/articles, seminars/training, grant writing program, international initiatives, support for childhood cancer initiatives and matching grants.

##### **Management And General**

Includes the functions necessary to maintain an adequate working environment, provide coordination of the Foundation's program strategy and manage the financial and budgetary responsibilities of the Foundation.

## OPTIMIST INTERNATIONAL FOUNDATION

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### Notes To Financial Statements (Continued)

#### **Fundraising**

Provides the structure necessary to encourage and secure private financial support from individuals, clubs and other foundations.

#### **Expense Allocation**

The costs associated with providing the Foundation activities have been summarized on a functional basis. The majority of the Foundation's costs are directly identifiable to a specific functional category. Salaries and related costs that are incurred are associated with multiple activities and require allocation among the programs and supporting services benefited. Salaries and related costs are allocated based on management's estimate of the time spent by the applicable employees for each functional area.

#### **Tax Status**

The Foundation is a not-for-profit organization under Section 501(c)(3) and a qualified public charity under Section 509(a)(1) of the Internal Revenue Code and is, therefore, exempt from federal income taxes on related, exempt income. The Foundation's tax returns for tax years 2015 and later remain subject to examination by taxing authorities.

#### **Subsequent Events**

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

### **3. Promises To Give**

Promises to give that are unconditional are included in the financial statements as assets and support of the appropriate net asset category.

The promises to give consist of the following:

Scholarships and other	\$ 91,012
Unrestricted estate gift	306,212
Endowment	116,300
	<u>513,524</u>
Less: Allowance	<u>9,264</u>
	<u><u>\$ 504,260</u></u>

## OPTIMIST INTERNATIONAL FOUNDATION

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### Notes To Financial Statements (Continued)

The promises to give are presented in the statement of financial position as follows:

Promises to give - short term	\$ 95,213
Promises to give	292,747
Assets restricted for permanent investment (Note 4)	<u>116,300</u>
	<u>\$ 504,260</u>

These promises to give, net of the allowance, are expected to be collected in the following periods:

In one year or less	\$ 95,213
Between one and five years	<u>409,047</u>
	<u>\$ 504,260</u>

#### 4. Investments

Investments are carried at fair value in accordance with accounting principles generally accepted in the United States of America and consist of the following:

Mutual Funds:	
Growth	\$ 2,712,137
Growth and income	2,295,931
Equities - income	767,859
Balanced	750,021
Fixed income	1,907,755
Money market fund	<u>60,307</u>
	<u>\$ 8,494,010</u>

Investments are presented in the statement of financial position as follows:

Investments	\$ 6,315,246
Assets restricted for permanent investment (Note 8)	<u>2,178,764</u>
	<u>\$ 8,494,010</u>

Assets restricted for permanent endowment on the statement of financial position also include promises to give in the amount of \$116,300 (Note 3).

## OPTIMIST INTERNATIONAL FOUNDATION

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### Notes To Financial Statements (Continued)

The Foundation records certain assets and liabilities at fair value, pursuant to the provisions of ASC 820, *Fair Value Measurements and Disclosures*. In accordance with ASC 820, the major categories of financial assets and liabilities must be measured at fair value on a recurring basis during the year ended September 30, 2019 using quoted prices in active markets (Level 1); significant observable inputs for similar assets and liabilities (Level 2); and significant unobservable inputs (Level 3). The investments in money market funds and mutual funds held by the Foundation at September 30, 2019 and reported at their respective fair values above are all considered Level 1 investments.

### 5. Property And Equipment

Property and equipment consist of:

Computer equipment and software	\$ 122,873
Furniture and fixtures	23,188
Leasehold improvements	10,993
	<hr/> 157,054
Less: Accumulated depreciation and amortization	155,674
	<hr/> 1,380
Artwork	26,750
	<hr/> 26,750
	<hr/> <hr/> \$ 28,130

Depreciation and amortization expense amounted to \$782 for the year ended September 30, 2019.

### 6. Promissory Note Receivable

On April 1, 2008, the Foundation entered into a promissory note agreement with Optimist International, a related party (Note 9), 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 and bears interest at a rate of 5%. The promissory note does not have a prepayment penalty. As of September 30, 2019, the promissory note has an outstanding balance of \$430,084 and is due in March 2029.

The note requires a fixed monthly payment of principal and interest amounting to \$4,747.

## OPTIMIST INTERNATIONAL FOUNDATION

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### Notes To Financial Statements (Continued)

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

<u>Year</u>	<u>Amount</u>
2020	\$ 36,284
2021	38,141
2022	40,092
2023	42,143
2024	44,299
Thereafter	229,125
	<u>\$ 430,084</u>

For the year ended September 30, 2019, total interest income related to the promissory note receivable amounted to \$22,446, which is included in interest and dividends on the statement of activities.

Given the nature of the related party relationship, management has been able to estimate at September 30, 2019 that this promissory note will be collected in full in the future. The Foundation does not anticipate that payments on this promissory note will be delinquent in the future, and therefore, does not have a policy on determining the past due status of the promissory note, nor does it have a policy on placing the promissory note on nonaccrual status.

### 7. Split Interest Agreement

The Foundation has been named as the sole beneficiary of a perpetual trust that was established in 1978. The trust assets are held and administered by an independent financial institution trustee, in accordance with the donor's intent. For the year ended September 30, 2019, the Foundation recorded an increase in the value of the beneficial interest in perpetual trust of \$25,689.



## OPTIMIST INTERNATIONAL FOUNDATION

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### Notes To Financial Statements (Continued)

#### 8. Net Assets And Endowments

Net assets consist of the following:

Net Assets without donor restrictions	
Board designated endowment	\$ 337,337
Undesignated	504,403
	<hr/>
	\$ 841,740
	<hr/>
Net Assets with donor restrictions	
Childhood Cancer Campaign	\$ 651,091
Scholarships and promises to give	8,828
JOOI activities	35,397
Other	4,231
Donor restricted perpetual endowment	2,178,764
Accumulated restricted endowment earnings	1,118,222
Beneficial interest in perpetual trust	205,922
Donor restricted pledges to perpetual endowment	116,300
	<hr/>
	\$ 4,318,755
	<hr/>

Net assets released from restrictions consist of the following:

Childhood Cancer Campaign	\$ 122,694
Club Grant Program	300,109
Scholarships and promises to give	25,346
Appropriation of accumulated restricted endowment earnings	66,285
Other	8,000
	<hr/>
	\$ 522,434
	<hr/>

The Foundation's endowments consist of approximately 50 donor-restricted endowments established for a variety of purposes and board-designated endowments. As required by generally accepted accounting principles (GAAP), net 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 INTERNATIONAL FOUNDATION

### Notes To Financial Statements (Continued)

#### Interpretation Of Relevant Law

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the State of Missouri in August 2009, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment funds that is not classified as with donor restrictions in perpetuity is classified as net assets with donor restrictions - accumulated restricted endowment earnings until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Foundation and the donor-restricted endowment funds;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Foundation; and
- (7) The investment policies of the Foundation.

#### Endowment Asset Composition By Type Of Fund As Of September 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ —	\$ 3,296,986	\$ 3,296,986
Board-designated quasi-endowment funds	337,337	—	337,337
	\$ 337,337	\$ 3,296,986	\$ 3,634,323

## OPTIMIST INTERNATIONAL FOUNDATION

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### Notes To Financial Statements (Continued)

#### Changes In Endowment Assets For The Fiscal Year Ended September 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	\$ 286,185	\$ 3,266,044	\$ 3,552,229
Investment return	9,864	66,488	76,352
Reclassification for ASU 2016-14 (Note 2)	41,288	(41,288)	—
Payments on promises to give	—	11,500	11,500
Contributions and transfers	—	60,527	60,527
Appropriations	—	(66,285)	(66,285)
<u>Endowment assets, end of year</u>	<u>\$ 337,337</u>	<u>\$ 3,296,986</u>	<u>\$ 3,634,323</u>

#### Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets with donor restrictions and aggregated approximately \$71,000 at September 30, 2019. These deficiencies occurred as a result of individual funds with donor-initiated guaranteed minimum payout rates that exceed the historical net investment returns for the funds. The Foundation has a policy that prohibits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

## OPTIMIST INTERNATIONAL FOUNDATION

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

#### **Return Objectives And Risk Parameters**

The Foundation 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. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. 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

#### **Strategies Employed For Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Foundation 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). The Foundation 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.

#### **Spending Policy And How The Investment Objectives Relate To Spending Policy**

The Foundation has a policy of appropriating for distribution each year five percent of each endowment fund's fair value (only for such funds for which the donor did not explicitly state a distribution percentage). In establishing this policy, the Foundation considered the long-term expected return on its endowments.

## OPTIMIST INTERNATIONAL FOUNDATION

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

#### **9. Related Party Transactions**

Payments for certain administrative and operating expenses of the Foundation are made by Optimist International on a fully reimbursed basis. Payments for program services expenses, including youth club, scholarship awards, grants for the Childhood Cancer Campaign and charitable programs of the Foundation are also made by Optimist International on a fully reimbursed basis. At September 30, 2019, the Foundation recorded a liability of \$212,416 related to amounts due to Optimist International.

The Foundation collects, holds and disburses funds on behalf of the Optimist International Member Clubs (the Clubs). At September 30, 2019, there were 2,280 Optimist International Member Clubs. At September 30, 2019, the Foundation carried a liability of \$2,317,410, which represents the cumulative funds received in excess of disbursements for the Club Campaign Program. Earnings on the funds not yet disbursed to the clubs totaled \$644,810 at September 30, 2019 and are reported as a component of accounts payable and accrued expenses on the Foundation's statement of financial position.

Under the Club Grant Program, the Foundation collected \$300,109 and disbursed \$300,109 for the year ended September 30, 2019. These amounts are reported as support and program expenses in the statement of activities.

Two former employees of the Foundation are participants in Optimist International's defined benefit plan. In an agreement with Optimist International, the Foundation agreed to fund a pro-rata portion (for the former employees of the Foundation as a percentage of the total participants in the defined benefit plan) of the contributions made to the plan by Optimist International on an annual basis. Pursuant to the terms of the agreement, the Foundation is only liable for the portion of the annual contribution as calculated by Optimist International and does not have any obligation, guaranty or warranty to fund any current or future deficits or shortfalls in the Plan. Conversely, the Foundation does not retain any residual rights to receive any excess assets remaining in the plan upon liquidation. As such, neither an asset nor a liability is recorded on the Foundation's statement of financial position related to this agreement with Optimist International. There were no costs incurred for the year ended September 30, 2019 under this agreement.

## OPTIMIST INTERNATIONAL FOUNDATION

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### Notes To Financial Statements (Continued)

#### 10. Gift Annuities Payable

The Foundation maintains a charitable gift annuity program whereby individuals make gifts to the Foundation and receive an annuity payment for the remainder of their lives. At September 30, 2019, the Foundation had approximately \$497,000 of assets pursuant to charitable gift annuity agreements (which are included as a component of investments on the statement of financial position). Under the agreements, the Foundation pays the donors equal quarterly or monthly installments at an annual amount which approximated \$22,000 in 2019. The assets held for annuity are recorded by the Foundation at fair value. In calculating the present value of the payments to be made, discount rates ranging from 4.0% to 5.9% and life expectancies ranging from 10 to 25 years were assumed. At September 30, 2019, gift annuities payable totaled \$199,145.

#### 11. Liquidity And Availability Of Financial Assets

As of September 30, 2019, the following financial assets could readily be made available within one year of the date of the statement of financial position to meet general expenditures:

Cash and cash equivalents	\$ 269,350
Investments	6,315,246
Promissory note receivable	36,284
Promises to give	95,213
	<u>6,716,093</u>
Less amounts not available to be used within one year:	
Club campaign funds	2,317,410
Appreciation on perpetual endowment	1,118,222
	<u>3,435,632</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,280,461</u>

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

For purposes of analyzing resources available to meet general expenditures over the next twelve months, the Foundation considers all expenditures related to its ongoing mission as well as the conduct of services undertaken to support those activities to be general expenditures.

## OPTIMIST INTERNATIONAL FOUNDATION

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

In addition to financial assets available to meet general expenditures over the next twelve months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.



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## Independent Auditors' Report On Supplementary Information

Board of Directors  
Optimist International Foundation  
St. Louis, Missouri

We have audited the financial statements of Optimist International Foundation as of and for the years ended September 30, 2019 and 2018, and our report thereon dated February 3, 2020, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of program services expenses, management and general expenses and fundraising expenses, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*RubinBrown LLP*

February 3, 2020



**OPTIMIST INTERNATIONAL FOUNDATION**  
**SCHEDULE OF PROGRAM SERVICES EXPENSES**

	For The Years Ended September 30,	
	2019	2018
<b>Oratorical Contest Scholarships Program</b>		
Scholarships	\$ 263,500	\$ 253,000
<b>CCDHH Scholarships Program</b>		
Scholarships	42,500	58,441
<b>Essay Contest Scholarships Program</b>		
Scholarships	97,500	91,100
<b>Youth Club Programs</b>		
Scholarships and programs	85,400	87,900
<b>Club Grant Program</b>		
Grants	300,109	366,399
<b>Charitable, Literary And Educational Programs</b>		
Childhood cancer grant	122,694	114,396
Club Campaign funds interest	71,535	70,961
Donor restricted grants	47,510	72,849
International convention	7,297	5,303
Magazine publication	10,000	10,000
Depreciation, amortization and software maintenance	10,361	9,618
Other programs	38,270	77,700
Volunteer activities	20,912	16,256
Planned giving	2,625	2,625
Allocated staff time and related costs	185,227	171,498
<b>Total Charitable, Literary And Educational Programs</b>	516,431	551,206
	\$ 1,305,440	\$ 1,408,046

**OPTIMIST INTERNATIONAL FOUNDATION**  
**SCHEDULE OF MANAGEMENT AND GENERAL EXPENSES**

	For The Years Ended September 30,	
	2019	2018
<b>Volunteer Activities</b>		
Special representatives seminar	\$ 4,902	\$ 3,274
Board of Directors	7,858	8,383
Executive Director	8,152	4,599
Allocated staff time and related costs	23,153	21,437
<b>Total Volunteer Activities</b>	<b>44,065</b>	<b>37,693</b>
<b>International Conventions</b>		
Convention operations	5,819	4,682
Staff travel and lodging	1,478	621
Allocated staff time and related costs	15,685	14,522
<b>Total International Conventions</b>	<b>22,982</b>	<b>19,825</b>
<b>Other Management And General</b>		
Allocated staff time and related costs	27,635	25,586
Bank charges	15,706	15,492
Depreciation, amortization and software maintenance	3,718	3,452
Dues, subscriptions and publications	834	2,178
Filing fees - federal and state	4,393	5,083
Miscellaneous expense	912	2,430
Professional services	68,155	14,900
Staff training	—	74
Telephone	2,662	2,654
<b>Total Other Management And General</b>	<b>124,015</b>	<b>71,849</b>
	<b>\$ 191,062</b>	<b>\$ 129,367</b>

**OPTIMIST INTERNATIONAL FOUNDATION**  
**SCHEDULE OF FUNDRAISING EXPENSES**

	<b>For The Years</b>	
	<b>Ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Awards And Recognition</b>		
Donor awards	\$ 29,317	\$ 16,097
Engraving	670	495
Postage and shipping	8,940	8,942
Allocated staff time and related costs	18,672	17,288
<b>Total Awards And Recognition</b>	<b>57,599</b>	<b>42,822</b>
<b>Special Programs</b>		
Collectors' plates/prints	20,566	21,519
Planned Giving Programs	875	875
Allocated staff time and related costs	15,687	14,524
<b>Total Special Programs</b>	<b>37,128</b>	<b>36,918</b>
<b>Other Fundraising</b>		
Depreciation, amortization and software maintenance	2,632	2,443
Office supplies	1,665	3,579
Printing	4,002	3,302
Allocated staff time and related costs	12,696	11,755
<b>Total Other Fundraising</b>	<b>20,995</b>	<b>21,079</b>
	<b>\$ 115,722</b>	<b>\$ 100,819</b>

