
**OPTIMIST INTERNATIONAL
FOUNDATION**
FINANCIAL STATEMENTS
SEPTEMBER 30, 2016



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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, 2016, and the related statements of activities 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, 2016, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report On Summarized Comparative Information

We have previously audited the Foundation's 2015 financial statements, and our report dated February 2, 2016, 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, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

RubinBrown LLP

February 9, 2017

OPTIMIST INTERNATIONAL FOUNDATION

STATEMENT OF FINANCIAL POSITION

September 30, 2016

(With Summarized Financial Information As Of September 30, 2015)

Assets

	2016	2015
Current Assets		
Cash	\$ 538,631	\$ 277,594
Promises to give - short term (Note 3)	480,038	851,260
Due from Optimist International Foundation of Canada (Note 9)	—	6,680
Promissory note receivable - short term (Note 6)	31,240	29,719
Prepaid expenses and other assets	25,680	26,368
Investments (Note 4)	4,853,341	3,659,278
Cash surrender value of life insurance policies	109,272	108,526
Total Current Assets	6,038,202	4,959,425
Property And Equipment (Note 5)	29,484	29,258
Promissory Note Receivable (Note 6)	497,441	528,682
Promises To Give (Note 3)	15,700	27,450
Beneficial Interest In Perpetual Trust (Note 7)	173,621	152,495
Assets Restricted For Permanent Investment (Note 4)	2,138,766	2,072,645
Total Assets	\$ 8,893,214	\$ 7,769,955

Liabilities And Net Assets

Current Liabilities		
Accounts payable and accrued expenses (Note 9)	\$ 623,464	\$ 547,796
Contests and scholarships payable:		
Oratorical contest	786,880	712,235
CCDHH contest	367,402	361,573
Essay contest	194,450	184,000
Due to Optimist International (Note 9)	138,382	136,114
Due to Member Clubs (Note 9)	2,182,879	1,758,022
Grants payable	38,398	30,222
Gift annuities payable (Note 10)	229,940	240,150
Total Current Liabilities	4,561,795	3,970,112
Net Assets		
Unrestricted (Note 8)	693,790	536,628
Temporarily restricted (Note 8)	1,325,242	1,038,076
Permanently restricted (Note 8)	2,312,387	2,225,139
Total Net Assets	4,331,419	3,799,843
Total Liabilities And Net Assets	\$ 8,893,214	\$ 7,769,955

OPTIMIST INTERNATIONAL FOUNDATION

STATEMENT OF ACTIVITIES For The Year Ended September 30, 2016 (With Summarized Financial Information For The Year Ended September 30, 2015)

	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support, Revenues And Gains (Losses)					
Public Support:					
Contributions	\$ 794,479	\$ 170,311	\$ —	\$ 964,790	\$ 1,566,091
Endowments	—	—	51,309	51,309	36,562
Club grant program (Note 9)	—	247,492	—	247,492	244,769
Contributions restricted for scholarships	—	81,572	—	81,572	42,599
Other	3,829	1,483	—	5,312	11,172
Total Public Support	798,308	500,858	51,309	1,350,475	1,901,193
Revenues And Gains (Losses)					
Interest and dividends (Note 6)	92,532	39,131	—	131,663	141,379
Unrealized and realized gain (losses) on investments (Note 4)	328,723	197,025	—	525,748	(223,681)
Change in value of charitable gift annuities and beneficial interest in perpetual trust (Notes 7 and 10)	(12,557)	—	21,127	8,570	(31,106)
Other gains (losses)	1,271	—	—	1,271	319
Total Revenues And Gains (Losses)	409,969	236,156	21,127	667,252	(113,089)
Net assets released from restrictions (Note 8)	435,036	(449,848)	14,812	—	—
Total Support, Revenues And Gains (Losses)	1,643,313	287,166	87,248	2,017,727	1,788,104
Expenses					
Program Services:					
Oratorical contest scholarships program	250,500	—	—	250,500	178,009
CCDHH scholarships program	54,555	—	—	54,555	38,250
Essay contest scholarships program	87,950	—	—	87,950	91,000
Youth Club programs	85,000	—	—	85,000	89,699
Club grant program (Note 9)	247,492	—	—	247,492	244,770
Charitable, literary and educational programs	514,238	—	—	514,238	391,180
Total Program Services	1,239,735	—	—	1,239,735	1,032,908
Supporting Activities:					
Management and general	139,641	—	—	139,641	144,546
Fundraising	106,775	—	—	106,775	94,618
Total Supporting Activities	246,416	—	—	246,416	239,164
Total Expenses	1,486,151	—	—	1,486,151	1,272,072
Increase In Net Assets	157,162	287,166	87,248	531,576	516,032
Net Assets - Beginning Of Year	536,628	1,038,076	2,225,139	3,799,843	3,283,811
Net Assets - End Of Year	\$ 693,790	\$ 1,325,242	\$ 2,312,387	\$ 4,331,419	\$ 3,799,843

OPTIMIST INTERNATIONAL FOUNDATION

STATEMENT OF CASH FLOWS For The Year Ended September 30, 2016 (With Summarized Financial Information For The Year Ended September 30, 2015)

	2016	2015
Cash Flows From Operating Activities		
Increase in net assets	\$ 531,576	\$ 516,032
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,154	1,305
Contributions restricted for long-term purposes	(51,309)	(36,562)
Realized gains on investments	(158,067)	(180,050)
Unrealized (gains) losses on investments	(367,681)	403,731
(Increase) decrease in cash value of life insurance	(746)	206
Change in value of charitable gift annuity obligations and beneficial interest in perpetual trust	(8,569)	31,106
Changes in assets and liabilities:		
(Increase) decrease in unconditional promises to give	362,272	(820,115)
Decrease in due from Optimist International Foundation of Canada	6,680	10,000
Decrease in prepaid expenses and other assets	688	11,681
Increase (decrease) in accounts payable and accrued expenses	75,668	(27,417)
Increase (decrease) in contests and scholarships payable	90,925	(13,891)
Increase (decrease) in due to Optimist International	2,268	(27,891)
Increase in due to Member Clubs	424,857	292,104
Increase (decrease) in grants payable	8,175	(1,445)
Net Cash Provided By Operating Activities	917,891	158,794
Cash Flows From Investing Activities		
Proceeds from sale of investments	1,204,821	—
Purchases of investments	(1,934,257)	(118,344)
Payments on promissory note receivable	29,720	28,273
Purchases of property and equipment	(1,380)	—
Net Cash Used In Investing Activities	(701,096)	(90,071)
Cash Flows From Financing Activities		
Payments on charitable gift annuity obligations	(22,767)	(29,056)
Proceeds from contributions restricted for investment in permanent endowment	67,009	58,462
Net Cash Provided By Financing Activities	44,242	29,406
Net Increase In Cash	261,037	98,129
Cash - Beginning Of Year	277,594	179,465
Cash - End Of Year	\$ 538,631	\$ 277,594

OPTIMIST INTERNATIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

1. Summary Of Significant Accounting Policies

Basis Of Accounting

The accompanying financial statements of Optimist International Foundation (the Foundation) have been prepared on the accrual basis of accounting.

Basis Of Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-205, *Presentation of Financial Statements of Not-For-Profit-Organizations*. Under ASC 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

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, 2015, from which the summarized information was derived.

Use Of Estimates

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.

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.

OPTIMIST INTERNATIONAL FOUNDATION

Notes To Financial Statements *(Continued)*

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

Receivables

Accounts receivable from related parties are stated at the amount that management expects to collect from outstanding balances. Management provides for probable uncollected amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Those 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 the receivable.

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.

Restricted And Unrestricted Revenue And Support

Gifts of cash and other assets are reported as temporarily restricted operating support 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

OPTIMIST INTERNATIONAL FOUNDATION

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 over 18,800 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.

Essay Contest Scholarships Program

An annual competition for high school students with over 7,600 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 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

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. Certain of these expenses represent costs associated with multiple activities and require allocation among the programs and supporting services benefited. Such allocations are based on relevant factors that represent management's best estimate of the costs of providing such activities.

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 2012 and later remain subject to examination by taxing authorities.

Subsequent Events

Management has evaluated subsequent events through February 9, 2017, the date which the financial statements were available for issue.

2. Operations

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.

OPTIMIST INTERNATIONAL FOUNDATION

Notes To Financial Statements (Continued)

3. Unconditional Promises To Give

Unconditional promises to give are included in the financial statements as assets and support of the appropriate net asset category.

Unconditional promises to give consist of the following:

Scholarships and other	\$	71,156
Unrestricted estate gift		445,396
Endowment		151,200
		<u>667,752</u>
Less: Allowance		<u>20,814</u>
	\$	<u><u>646,938</u></u>

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

Promises to give - short term	\$	480,038
Promises to give		15,700
Assets restricted for permanent investment (Note 4)		151,200
		<u>646,938</u>
	\$	<u><u>646,938</u></u>

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

In one year or less	\$	488,534
Between one and five years		158,404
		<u>646,938</u>
	\$	<u><u>646,938</u></u>

OPTIMIST INTERNATIONAL FOUNDATION

Notes To Financial Statements (Continued)

4. Investments

Investments are carried at fair value and consist of the following asset categories held in thirteen separate mutual funds:

Growth	\$ 1,687,651
Growth and income	1,504,315
Equities - income	1,205,368
Balanced	691,616
Fixed income	1,687,652
Money market fund	<u>64,305</u>
	<u>\$ 6,840,907</u>

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

Investments	\$ 4,853,341
Assets restricted for permanent investment (Note 8)	<u>1,987,566</u>
	<u>\$ 6,840,907</u>

Assets restricted for permanent endowment on the statement of financial position also include promises to give in the amount of \$151,200 (Note 3).

Investments are carried at fair value in accordance with accounting principles generally accepted in the United States of America.

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, 2016 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, 2016 and reported at their respective fair values above are considered Level 1 investments.

OPTIMIST INTERNATIONAL FOUNDATION

Notes To Financial Statements (Continued)

5. Property And Equipment

Property and equipment consist of:

Computer equipment and software	\$ 222,891
Furniture and fixtures	39,569
Leasehold improvements	10,993
Artwork	26,750
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	300,203
Less: Accumulated depreciation and amortization	270,719
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	\$ 29,484
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Depreciation and amortization expense amounted to \$1,154 for the year ended September 30, 2016.

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 an interest rate of 5%. The promissory note does not have a prepayment penalty. As of September 30, 2016, the promissory note has an outstanding balance of \$528,681 and is due in March 2029.

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

<u>Year</u>	<u>Amount</u>
2017	\$ 31,240
2018	32,839
2019	34,518
2020	36,285
2021	38,141
Thereafter	355,658
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	\$ 528,681
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OPTIMIST INTERNATIONAL FOUNDATION

Notes To Financial Statements (Continued)

For the year ended September 30, 2016, total interest income related to the promissory note receivable amounted to \$27,245, 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, 2016 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 thereby, 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 Agreements

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, 2016, the Foundation recorded an increase in the value of the beneficial interest in perpetual trust of \$21,127.

8. Net Assets And Endowments

Temporarily restricted net assets consist of the following:

Childhood Cancer Campaign	\$ 562,626
Scholarships/promises to give	22,600
Accumulated Restricted Endowment	
Earnings	708,371
JOOI Activities	31,000
Other	645
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	\$ 1,325,242
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Net assets released from restrictions consist of the following:

Childhood Cancer Campaign	\$ 93,807
Club Grant Program	247,492
Scholarships and promises to give	92,473
Appropriation of Accumulated	
Restricted Endowment Earnings	16,076
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	\$ 449,848
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OPTIMIST INTERNATIONAL FOUNDATION

Notes To Financial Statements (Continued)

The Foundation's endowments consist of 46 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.

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 permanently restricted net assets (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 in permanently restricted net assets is classified as temporarily restricted net assets 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, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ (50,528)	\$ 708,371	\$ 1,987,566	\$ 2,645,409
Board-designated quasi-endowment funds	296,396	—	—	296,396
	<u>\$ 245,868</u>	<u>\$ 708,371</u>	<u>\$ 1,987,566</u>	<u>\$ 2,941,805</u>

OPTIMIST INTERNATIONAL FOUNDATION

Notes To Financial Statements (Continued)

Changes In Endowment Assets For The Fiscal Year Ended September 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Endowment assets, beginning of year</u>	\$ 179,461	\$ 488,291	\$ 1,900,745	\$ 2,568,497
Investment return	90,803	236,156	—	326,959
Release of donor restrictions	—	—	—	—
Payments on promises to give	—	—	15,700	15,700
Contributions and transfers	—	—	71,121	71,121
<u>Appropriations</u>	<u>(24,396)</u>	<u>(16,076)</u>	<u>—</u>	<u>(40,472)</u>
<u>Endowment assets, end of year</u>	<u>\$ 245,868</u>	<u>\$ 708,371</u>	<u>\$ 1,987,566</u>	<u>\$ 2,941,805</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 GAAP, deficiencies of this nature that are reported in unrestricted net assets are approximately \$50,000 as of September 30, 2016. These deficiencies resulted from historical market fluctuations and guaranteed payout rates on specific funds regardless of investment returns.

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.

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 service 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, 2016, the Foundation recorded a liability of \$138,382 related to amounts due to Optimist International.

Payments for certain administrative and operating expenses of Optimist International Foundation of Canada were made by the Foundation in prior years. At September 30, 2016, amounts previously due to the Foundation from the Optimist International Foundation of Canada were paid in full. Optimist International Foundation did record a currency exchange loss of \$1,711 related to the payments.

The Foundation collects, holds and disburses funds on behalf of the Optimist International Member Clubs (the clubs). At September 30, 2016, there were 2,417 Optimist International Member Clubs. At September 30, 2016, the Foundation carried a liability of \$2,182,879 for the cumulative funds received in excess of disbursements for the Club Campaign Program. Earnings on the funds not yet disbursed to the clubs totaled \$490,208 at September 30, 2016, and are reported as a component of accounts payable and accrued expenses on the Foundation's statement of financial position.

OPTIMIST INTERNATIONAL FOUNDATION

Notes To Financial Statements (*Continued*)

Under the Club Grant Program, the Foundation collected \$247,492 and disbursed \$247,492 for the year ended September 30, 2016. 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, 2016 under this agreement.

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, 2016, the Foundation had approximately \$497,000 of assets pursuant to charitable gift annuity agreements. Under the agreements, the Foundation pays the donors equal quarterly or monthly installments at an annual amount which approximated \$23,000 in 2016. 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, 2016, gift annuities payable totaled \$229,940.

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 year ended September 30, 2016 and our report thereon dated February 9, 2017, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of program services expenses, schedule of management and general expenses and schedule of 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 9, 2017

OPTIMIST INTERNATIONAL FOUNDATION
SCHEDULE OF PROGRAM SERVICES EXPENSES

	For The Years	
	Ended September 30,	
	2016	2015
Oratorical Contest Scholarships Program		
Scholarships	\$ 250,500	\$ 178,009
CCDHH Scholarships Program		
Scholarships	54,555	38,250
Essay Contest Scholarships Program		
Scholarships	87,950	91,000
Youth Club Programs		
Scholarships and programs	85,000	89,699
Club Grant Program		
Grants	247,492	244,770
Charitable, Literary And Educational Programs		
Childhood cancer grant	93,807	32,655
Club Campaign funds interest	58,480	28,133
Donor restricted grants	95,273	32,576
International convention	5,490	10,821
Magazine publication	10,000	10,000
Depreciation, amortization and software maintenance	9,054	8,162
Other programs	54,542	55,600
Volunteer activities	26,568	20,131
Planned giving	4,144	4,658
Allocated staff time and related costs	156,880	188,444
Total Charitable, Literary And Educational Programs	514,238	391,180
	\$ 1,239,735	\$ 1,032,908

OPTIMIST INTERNATIONAL FOUNDATION

SCHEDULE OF MANAGEMENT AND GENERAL EXPENSES

	For The Years	
	Ended September 30,	
	2016	2015
Volunteer Activities		
Special representatives seminar	\$ 10,992	\$ 8,635
Board of Directors	11,722	7,879
Executive Director	3,853	3,615
Allocated staff time and related costs	19,610	23,556
Total Volunteer Activities	46,177	43,685
International Conventions		
Convention operations	3,141	7,919
Staff travel and lodging	6,976	(1,725)
Allocated staff time and related costs	13,284	15,957
Total International Conventions	23,401	22,151
Other Management And General		
Allocated staff time and related costs	23,405	28,115
Bank charges	12,612	12,696
Depreciation, amortization and software maintenance	3,249	2,073
Dues, subscriptions and publications	4,285	3,181
Gain on foreign currency transactions	1,711	2,539
Filing fees - federal and state	5,121	4,325
Miscellaneous expense	894	8,456
Professional services	16,424	15,025
Staff training	—	10
Telephone	2,362	2,290
Total Other Management And General	70,063	78,710
	\$ 139,641	\$ 144,546

OPTIMIST INTERNATIONAL FOUNDATION

SCHEDULE OF FUNDRAISING EXPENSES

	For The Years	
	Ended September 30,	
	2016	2015
Awards And Recognition		
Donor awards	\$ 21,185	\$ 8,306
Engraving	424	525
Postage and shipping	9,974	9,341
Allocated staff time and related costs	15,815	18,996
Total Awards And Recognition	47,398	37,168
Special Programs		
Collectors' plates/prints	22,770	16,913
Planned Giving Programs	1,381	1,552
Allocated staff time and related costs	13,286	15,959
Total Special Programs	37,437	34,424
Other Fundraising		
Depreciation, amortization and software maintenance	2,300	2,929
Insurance premiums	508	508
Office supplies	3,168	2,872
Printing	5,211	3,800
Allocated staff time and related costs	10,753	12,917
Total Other Fundraising	21,940	23,026
	\$ 106,775	\$ 94,618
