
**OPTIMIST INTERNATIONAL
FOUNDATION**
FINANCIAL STATEMENTS
SEPTEMBER 30, 2021



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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 (a not-for-profit organization), which comprise the statement of financial position as of September 30, 2021, 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, 2021, 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 Optimist International Foundation's 2020 financial statements, and our report dated February 11, 2021, 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, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

RubinBrown LLP

February 1, 2022

OPTIMIST INTERNATIONAL FOUNDATION

STATEMENT OF FINANCIAL POSITION

September 30, 2021

(With Summarized Financial Information As Of September 30, 2020)

	2021	2020
Assets		
Current Assets		
Cash	\$ 485,177	\$ 387,868
Promises to give - short term (Note 3)	72,816	73,687
Promissory note receivable - short term (Note 6)	40,092	38,141
Prepaid expenses and other assets	34,774	32,262
Investments (Notes 4 and 10)	10,198,848	7,498,699
Cash surrender value of life insurance policies	67,707	70,136
Total Current Assets	10,899,414	8,100,793
Property And Equipment (Note 5)	27,317	27,551
Promissory Note Receivable (Note 6)	315,567	355,659
Promises To Give (Note 3)	217,129	249,530
Beneficial Interest In Perpetual Trust (Note 7)	227,286	198,792
Assets Restricted For Permanent Investment (Note 4)	2,341,841	2,308,483
Total Assets	\$ 14,028,554	\$ 11,240,808
Liabilities And Net Assets		
Liabilities		
Current portion of long-term EIDL loan payable (Note 11)	\$ 835	\$ 865
Accounts payable and accrued expenses (Note 9)	888,852	818,643
Contests and scholarships payable:		
Oratorical contest	905,750	851,645
CCDHH contest	225,813	244,813
Essay contest	239,750	236,250
Due to Optimist International (Note 9)	193,742	140,054
Due to Member Clubs (Note 9)	3,495,341	2,367,536
Grants payable	83,580	78,154
Gift annuities payable (Note 10)	159,743	167,089
Total Current Liabilities	6,193,406	4,905,049
Related Party Note Payable (Note 9)	—	54,906
Long-Term EIDL Loan Payable, Net (Note 11)	149,065	149,035
Total Liabilities	6,342,471	5,108,990
Net Assets		
Without donor restrictions (Note 8)	2,213,423	1,339,775
With donor restrictions (Note 8)	5,472,660	4,792,043
Total Net Assets	7,686,083	6,131,818
Total Liabilities And Net Assets	\$ 14,028,554	\$ 11,240,808

OPTIMIST INTERNATIONAL FOUNDATION

STATEMENT OF ACTIVITIES For The Year Ended September 30, 2021 (With Summarized Financial Information For The Year Ended September 30, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support, Revenues And Gains (Losses)				
Public Support:				
Contributions	\$ 681,156	\$ 100,319	\$ 781,475	\$ 920,882
Endowments	—	33,358	33,358	13,419
Club grant program (Note 9)	—	226,228	226,228	201,580
Contributions restricted for scholarships	—	11,395	11,395	28,076
Other, including expired scholarships (Note 2)	66,947	16,590	83,537	92,051
Total Public Support	748,103	387,890	1,135,993	1,256,008
Revenues And Gains (Losses):				
Interest and dividends (Note 6)	107,404	55,464	162,868	178,115
Unrealized and realized gains on investments, net	1,091,626	683,525	1,775,151	1,038,314
Change in value of charitable gift annuities and beneficial interest in perpetual trust (Notes 7 and 10)	(8,355)	28,494	20,139	(15,836)
Gain on forgiveness of related party note payable (Note 9)	54,906	—	54,906	—
Other losses	(2,429)	—	(2,429)	(1,844)
Total Revenues And Gains (Losses)	1,243,152	767,483	2,010,635	1,198,749
Net assets released from restrictions (Note 8)	474,756	(474,756)	—	—
Total Support, Revenues And Gains (Losses)	2,466,011	680,617	3,146,628	2,454,757
Expenses				
Program Services (Note 9)	1,282,925	—	1,282,925	1,209,032
Supporting Activities:				
Management and general	182,786	—	182,786	171,920
Fundraising	126,652	—	126,652	102,482
Total Supporting Activities	309,438	—	309,438	274,402
Total Expenses	1,592,363	—	1,592,363	1,483,434
Increase In Net Assets	873,648	680,617	1,554,265	971,323
Net Assets - Beginning Of Year	1,339,775	4,792,043	6,131,818	5,160,495
Net Assets - End Of Year	\$ 2,213,423	\$ 5,472,660	\$ 7,686,083	\$ 6,131,818

OPTIMIST INTERNATIONAL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended September 30, 2021

(With Summarized Financial Information

For The Year Ended September 30, 2020)

	2021				2020
	Program Services	Management And General	Fundraising	Total	Total
Scholarships	\$ 459,700	\$ —	\$ —	\$ 459,700	\$ 418,700
Grants	589,187	—	—	589,187	571,748
Conferences and meetings	8,711	8,711	—	17,422	2,135
Publications	7,500	—	—	7,500	7,500
Depreciation and IT costs	11,510	4,130	2,924	18,564	17,071
Volunteer activities	16,627	16,627	—	33,254	23,465
Planned giving	2,625	—	875	3,500	3,500
Salaries and related costs	175,571	63,007	44,602	283,180	298,510
Dues, subscriptions and publications	—	2,059	—	2,059	4,059
Filing fees	—	4,698	—	4,698	4,569
Bad debt recovery	—	(8,514)	—	(8,514)	—
Bank charges	—	16,677	—	16,677	14,002
Miscellaneous	11,494	8,709	—	20,203	132
Professional services	—	63,760	—	63,760	63,510
Telephone	—	2,922	—	2,922	2,632
Donor awards and recognition	—	—	58,055	58,055	43,073
Collectors' plates/prints	—	—	13,123	13,123	2,718
Office supplies	—	—	1,685	1,685	1,620
Printing	—	—	5,388	5,388	4,490
	\$ 1,282,925	\$ 182,786	\$ 126,652	\$ 1,592,363	\$ 1,483,434

OPTIMIST INTERNATIONAL FOUNDATION

STATEMENT OF CASH FLOWS For The Year Ended September 30, 2021 (With Summarized Financial Information For The Year Ended September 30, 2020)

	2021	2020
Cash Flows From Operating Activities		
Increase in net assets	\$ 1,554,265	\$ 971,323
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation and amortization	234	579
Contributions restricted for endowment	(33,358)	(13,419)
Realized gains on investments	(285,249)	(323,053)
Unrealized gains on investments	(1,489,902)	(715,261)
Decrease in cash value of life insurance	2,429	1,844
Change in value of charitable gift annuities and beneficial interest in perpetual trust	(20,139)	15,836
Gain on forgiveness of related party note payable	(54,906)	—
Changes in assets and liabilities:		
Promises to give	33,272	64,743
Prepaid expenses and other assets	(2,512)	(5,683)
Accounts payable and accrued expenses	70,209	102,754
Contests and scholarships payable	38,605	(26,691)
Due to Optimist International	53,688	(72,362)
Due to Member Clubs	1,127,805	50,126
Grants payable	5,425	12,592
Net Cash Provided By Operating Activities	999,866	63,328
Cash Flows From Investing Activities		
Proceeds from sale of investments	225,000	137,000
Purchases of investments	(1,194,056)	(307,458)
Payments on promissory note receivable	38,141	36,284
Net Cash Used In Investing Activities	(930,915)	(134,174)
Cash Flows From Financing Activities		
Payments on charitable gift annuity obligations	(15,700)	(40,761)
Proceeds from related party note payable	—	54,906
Proceeds from long-term EIDL loan payable	—	150,000
Payment of debt issuance costs	—	(100)
Proceeds from contributions restricted for investment in permanent endowment	44,058	25,319
Net Cash Provided By Financing Activities	28,358	189,364
Net Increase In Cash	97,309	118,518
Cash - Beginning Of Year	387,868	269,350
Cash - End Of Year	\$ 485,177	\$ 387,868

OPTIMIST INTERNATIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

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

Basis Of Accounting

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

Basis Of Presentation

Financial statement presentation follows the requirements issued by the Financial Accounting Standards Board for not-for-profit organizations, which require the Foundation to report 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, 2020, from which the summarized information was derived.

OPTIMIST INTERNATIONAL FOUNDATION

Notes To Financial Statements *(Continued)*

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.

Cash

Cash accounts at each bank are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000 per depositor. At times, such amounts may be in excess of insurable limits.

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 promises to give, that is, those with a measurable performance or other barrier, are not recognized until the conditions on which they depend have been met. The Foundation is not currently the recipient of any material conditional promises to give.

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.

OPTIMIST INTERNATIONAL FOUNDATION

Notes To Financial Statements (*Continued*)

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.

Debt Issuance Costs

In June 2020, debt issuance costs totaling \$100 were incurred and capitalized.

Amortization of debt issuance costs is recognized as additional interest expense over the life of the long-term note payable. As of September 30, 2021, the debt issuance costs had a remaining balance of \$100 that will be recognized over the remaining life of the long-term Economic Injury Disaster Loan (EIDL) loan payable (Note 11).

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. The Foundation has also adopted the policy of reporting net assets released from restrictions upon completion of the donor purpose restriction, regardless of whether the related cash is received.

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 6,700 entrants. Scholarships are awarded in district level contests in the United States.

OPTIMIST INTERNATIONAL FOUNDATION

Notes To Financial Statements (*Continued*)

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 2021, the Foundation revoked scholarships that were awarded and expensed in prior periods that were unclaimed as of September 30, 2021, resulting in net “revenue” from this program of approximately \$6,000, which is included in other public support on the statement of activities.

Essay Contest Scholarships Program

An annual competition for high school students with approximately 2,700 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.

Fundraising

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

OPTIMIST INTERNATIONAL FOUNDATION

Notes To Financial Statements (*Continued*)

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. Depreciation and IT costs are allocated to each functional category based on the ratio of each respective functional category's total other costs to total other costs. Conferences and meetings and volunteer activities are allocated evenly between program services and management and general.

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 2017 and later remain subject to examination by taxing authorities.

New Accounting Pronouncement

During 2021, the Foundation adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606), as amended. ASC 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASC 606 outlines a five-step process for revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards, and also requires enhanced disclosures regarding the nature amount, timing, and uncertainty of revenues and cash flows from contracts with customers. Major provisions include determining which goods and services are distinct and represent separate performance obligations, how variable consideration is recognized, and whether revenues should be recognized at a point in time or over time.

OPTIMIST INTERNATIONAL FOUNDATION

Notes To Financial Statements (Continued)

The Foundation adopted ASC 606 using a modified retrospective approach, and accordingly the new guidance was applied retrospectively to contracts that were not completed as of October 1, 2020, which is the date of initial application. As a practical expedient, for any contracts that were modified prior to October 1, 2020, the Foundation has applied the new guidance for these uncompleted contracts as of the date of adoption, rather than as of the date of each modification. As a result of the judgements used, including the allocation of the transaction price to satisfied and unsatisfied performance obligations for modifications, the Foundation may have come to different conclusions if analyzed based on the date of each modification. Management does not believe that the effect of this practical expedient had a material effect on the application of ASC 606. The adoption of ASC 606 has no impact on the change in net assets or cash provided by operating activities and did not result in a material change to the timing of when revenue is recognized.

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	\$ 61,319
Unrestricted estate gift	229,376
Endowment	93,700
	<hr/>
	384,395
Less: Allowance	750
	<hr/>
	\$ 383,645
	<hr/>

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

Promises to give - short term	\$ 72,816
Promises to give	217,129
Assets restricted for permanent investment (Note 4)	93,700
	<hr/>
	\$ 383,645
	<hr/>

OPTIMIST INTERNATIONAL FOUNDATION

Notes To Financial Statements (Continued)

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

In one year or less	\$ 72,816
Between one and five years	<u>310,829</u>
	<u>\$ 383,645</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	\$ 3,535,214
Growth and income	3,359,375
Equities - income	1,034,127
Balanced	956,660
Fixed income	3,460,783
Money market fund	<u>100,830</u>
	<u>\$ 12,446,989</u>

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

Investments	\$ 10,198,848
Assets restricted for permanent investment (Note 8)	<u>2,248,141</u>
	<u>\$ 12,446,989</u>

Assets restricted for permanent endowment on the statement of financial position also include promises to give in the amount of \$93,700 (Note 3).

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, 2021 using quoted prices in active markets (Level 1); significant observable inputs for similar assets and liabilities (Level 2); and significant unobservable inputs (Level 3). The investments in money market funds and mutual funds held by the Foundation at September 30, 2021 and reported at their respective fair values above are all 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	\$ 122,873
Furniture and fixtures	23,188
Leasehold improvements	10,993
	<hr/> 157,054
Less: Accumulated depreciation and amortization	156,487
Depreciable property and equipment, net	<hr/> 567
Artwork	26,750
	<hr/> <hr/> \$ 27,317

Depreciation and amortization expense amounted to \$234 for the year ended September 30, 2021.

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, 2021, the promissory note has an outstanding balance of \$355,659 and is due in March 2029.

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

OPTIMIST INTERNATIONAL FOUNDATION

Notes To Financial Statements (Continued)

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

<u>Year</u>	<u>Amount</u>
2022	\$ 40,092
2023	42,143
2024	44,299
2025	46,566
2026	48,948
Thereafter	133,611
	<u>\$ 355,659</u>

For the year ended September 30, 2021, total interest income related to the promissory note receivable amounted to \$18,824, 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, 2021 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, 2021, the Foundation recorded an increase in the value of the beneficial interest in perpetual trust of \$28,494, which represents the change in the fair value of the asset during the current fiscal year.

The fair value of this perpetual trust is based on the quoted market values of the underlying trust assets. Since the assets are held by a third party, the fair value of this asset is considered a Level 3 asset.

OPTIMIST INTERNATIONAL FOUNDATION

Notes To Financial Statements *(Continued)*

8. Net Assets And Endowments

Net assets consist of the following:

Net Assets without donor restrictions	
Board designated endowment	\$ 463,896
Undesignated	<u>1,749,527</u>
	<u>\$ 2,213,423</u>
Net Assets with donor restrictions	
Childhood Cancer Campaign	\$ 624,835
Scholarships and promises to give	2,500
JOOI activities	44,412
Other	9,529
Donor restricted perpetual endowment	2,248,141
Accumulated restricted endowment earnings	2,222,257
Beneficial interest in perpetual trust	227,286
Donor restricted pledges to perpetual endowment	<u>93,700</u>
	<u>\$ 5,472,660</u>

Net assets released from restrictions consist of the following:

Childhood Cancer Campaign	\$ 131,808
Club Grant Program	226,228
Scholarships and promises to give	14,395
Appropriation of accumulated restricted endowment earnings	100,275
JOOI activities	1,200
Other	<u>850</u>
	<u>\$ 474,756</u>

The Foundation's endowments consist of approximately 60 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, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ —	\$ 4,470,398	\$ 4,470,398
Board-designated quasi-endowment funds	463,896	—	463,896
	\$ 463,896	\$ 4,470,398	\$ 4,934,294

OPTIMIST INTERNATIONAL FOUNDATION

Notes To Financial Statements (Continued)

Changes In Endowment Assets For The Fiscal Year Ended September 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	\$ 388,848	\$ 3,787,626	\$ 4,176,474
Investment return	75,048	738,989	814,037
Payments on promises to give	—	10,700	10,700
Contributions	—	33,358	33,358
Appropriations	—	(100,275)	(100,275)
Endowment assets, end of year	<u>\$ 463,896</u>	<u>\$ 4,470,398</u>	<u>\$ 4,934,294</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 are reported in net assets with donor restrictions and aggregated approximately \$8,000 at September 30, 2021. 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.

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

OPTIMIST INTERNATIONAL FOUNDATION

Notes To Financial Statements (*Continued*)

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 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, 2021, the Foundation recorded a liability of \$193,742 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, 2021, there were 2,280 Optimist International Member Clubs. At September 30, 2021, the Foundation carried a liability of \$3,495,341, 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 \$728,055 at September 30, 2021 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 \$226,228 and disbursed \$226,228 for the year ended September 30, 2021. These amounts are reported as support and program services expenses in the statement of activities.

OPTIMIST INTERNATIONAL FOUNDATION

Notes To Financial Statements (*Continued*)

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, 2021 under this agreement.

In May 2020, the Foundation received proceeds of \$54,906 under a promissory note entered into between the Foundation and Optimist International. The full amount was recorded as a related party note payable as of September 30, 2020. The note was forgiven in full by Optimist International on March 2, 2021 and was recognized as a gain and is included in the financial statements as a gain on forgiveness of related party note payable.

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, 2021, 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). The assets held for annuity are recorded by the Foundation at fair value. Under the agreements, the Foundation pays the donors equal quarterly or monthly installments at an annual amount, which approximated \$15,700 in 2021. 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, 2021, gift annuities payable totaled \$159,743. For the year ended September 30, 2021, the decrease in value of the charitable gift annuities was \$8,355.

OPTIMIST INTERNATIONAL FOUNDATION

Notes To Financial Statements *(Continued)*

11. Long-Term EIDL Loan Payable

In June 2020, the Foundation entered into an EIDL loan with the Small Business Administration in the amount of \$150,000. The loan will be paid in monthly payments of \$641 over 30 years until the loan matures in June 2050. During the period beginning June 2020 and ending on the twenty-four-month anniversary of the date of the loan (the deferral period), interest on the outstanding principal balance will accrue at a rate of 2.75% per annum, but neither principal nor interest shall be due or payable until June 2022. The loan is secured by all tangible and intangible personal property of the Foundation.

Future principal payments required on the loan as of September 30, 2021 are as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2022	\$ 835
2023	3,400
2024	3,494
2025	3,592
2026	3,692
Thereafter	134,987
Gross long-term EDIL loan payable	150,000
Less: Current portion of long-term EDIL loan payable	(835)
Less: Non-current debt issuance costs	(100)
	<u>\$ 149,065</u>

Offset against borrowings of \$150,000 at September 30, 2021 are unamortized debt issuance costs of \$100 that will be amortized over the life of the loan. Management determined that the 2021 interest expense was immaterial to the financial statements. Therefore, no interest expense or accrued interest was recognized during 2021.

OPTIMIST INTERNATIONAL FOUNDATION

Notes To Financial Statements (Continued)

12. Liquidity And Availability Of Financial Assets

As of September 30, 2021, 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	\$ 485,177
Investments	10,198,848
Promissory note receivable	40,092
Promises to give	72,816
	<u>10,796,933</u>
Less amounts not available to be used within one year:	
Club campaign funds	4,223,396
Accumulated restricted endowment earnings	2,222,257
	<u>6,445,653</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 4,351,280</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.

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.

13. Risks And Uncertainties

In March 2020, a novel strain of coronavirus (COVID-19) emerged and spread worldwide. The World Health Organization has declared COVID-19 a pandemic, resulting in federal, state and local governments and private entities mandating various restrictions, including travel restrictions, restrictions on public gatherings, stay-at-home orders and advisories and quarantining of people who may have been exposed to the virus. The spread of COVID-19 has caused significant volatility in the U.S. and international markets. The Foundation continues to monitor developments, including government requirements and recommendations at the national, state, and local level to evaluate possible extensions to all or part of such restrictions.

In addition, the Foundation has taken several steps to strengthen its financial position and maintain liquidity and flexibility, including reviewing operating expenses and monitoring investments to minimize losses.

As the COVID-19 pandemic is complex and rapidly evolving, the Foundation's plans as described above may change. At this point, management cannot reasonably estimate the duration and severity of this pandemic, which could have a material adverse impact on the Foundation and its results of operations, financial position and cash flows.

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, 2021 and 2020, and our report thereon dated February 1, 2022, 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 1, 2022

OPTIMIST INTERNATIONAL FOUNDATION
SCHEDULE OF PROGRAM SERVICES EXPENSES

	For The Years	
	Ended September 30,	
	2021	2020
Oratorical Contest Scholarships Program		
Scholarships	\$ 246,000	\$ 218,500
CCDHH Scholarships Program		
Scholarships	30,000	20,000
Essay Contest Scholarships Program		
Scholarships	97,500	95,000
Youth Club Programs		
Scholarships and programs	86,200	85,200
Club Grant Program		
Grants	226,228	201,580
Charitable, Literary And Educational Programs		
Childhood cancer grant	131,808	166,221
Club Campaign funds interest	86,039	70,869
Donor restricted grants	126,018	106,448
International convention	8,711	1,068
Publications	7,500	7,500
Depreciation and IT costs	11,510	10,584
Other programs	19,094	26,630
Volunteer activities	16,627	11,733
Planned giving	2,625	2,625
Costs of goods sold	11,494	—
Allocated staff time and related costs	175,571	185,074
Total Charitable, Literary And Educational Programs	596,997	588,752
	\$ 1,282,925	\$ 1,209,032

OPTIMIST INTERNATIONAL FOUNDATION

SCHEDULE OF MANAGEMENT AND GENERAL EXPENSES

	For The Years	
	Ended September 30,	
	2021	2020
Volunteer Activities		
Special representatives seminar	\$ 1,753	\$ 1,237
Board of Directors	5,963	5,754
Executive Director	8,911	4,741
Allocated staff time and related costs	21,946	23,135
Total Volunteer Activities	38,573	34,867
International Conventions		
Convention operations	6,198	(351)
Staff travel and lodging	2,513	1,418
Allocated staff time and related costs	14,867	15,672
Total International Conventions	23,578	16,739
Other Management And General		
Allocated staff time and related costs	26,194	27,612
Bad debt recovery	(8,514)	—
Bank charges	16,648	14,002
Depreciation and IT costs	4,130	3,798
Dues, subscriptions and publications	2,059	4,059
Loss on foreign currency transactions	29	—
Filing fees - federal and state	4,698	4,569
Miscellaneous expense	8,709	132
Professional services	63,760	63,510
Telephone	2,922	2,632
Total Other Management And General	120,635	120,314
	\$ 182,786	\$ 171,920

OPTIMIST INTERNATIONAL FOUNDATION

SCHEDULE OF FUNDRAISING EXPENSES

	For The Years	
	Ended September 30,	
	2021	2020
Awards And Recognition		
Donor awards	\$ 48,144	\$ 34,050
Engraving	620	490
Postage and shipping	9,291	8,533
Allocated staff time and related costs	17,699	18,657
Total Awards And Recognition	75,754	61,730
Special Programs		
Collectors' plates/prints	13,123	2,718
Planned giving programs	875	875
Allocated staff time and related costs	14,869	15,674
Total Special Programs	28,867	19,267
Other Fundraising		
Depreciation and IT costs	2,924	2,689
Office supplies	1,685	1,620
Printing	5,388	4,490
Allocated staff time and related costs	12,034	12,686
Total Other Fundraising	22,031	21,485
	\$ 126,652	\$ 102,482