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**OPTIMIST INTERNATIONAL  
FOUNDATION**  
*FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022*

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## Independent Auditors' Report

Board of Directors  
Optimist International Foundation  
St. Louis, Missouri

### Opinion

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, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Optimist International Foundation as of September 30, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis For Opinion*

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

### Report On Summarized Comparative Information

We have previously audited Optimist International Foundation's 2021 financial statements, and our report dated February 1, 2022, 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, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Responsibilities of Management For The Financial Statements***

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

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

### ***Auditors' Responsibilities For The Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Optimist International Foundation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Optimist International Foundation's ability to continue as a going concern for a reasonable period of time.

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

*RubinBrown LLP*

March 2, 2023

# OPTIMIST INTERNATIONAL FOUNDATION

## STATEMENT OF FINANCIAL POSITION

September 30, 2022

(With Summarized Financial Information As Of September 30, 2021)

	Assets	
	2022	2021
<b>Current Assets</b>		
Cash	\$ 410,516	\$ 485,177
Promises to give - short term (Note 3)	29,031	72,816
Promissory note receivable - short term (Note 6)	42,143	40,092
Prepaid expenses and other assets	35,559	34,774
Investments (Notes 4 and 10)	8,127,165	10,198,848
Related party grant receivable (Note 9)	21,271	—
Cash surrender value of life insurance policies	64,900	67,707
<b>Total Current Assets</b>	<b>8,730,585</b>	<b>10,899,414</b>
<b>Property And Equipment (Note 5)</b>	<b>29,165</b>	<b>27,317</b>
<b>Promissory Note Receivable (Note 6)</b>	<b>273,424</b>	<b>315,567</b>
<b>Promises To Give (Note 3)</b>	<b>—</b>	<b>217,129</b>
<b>Beneficial Interest In Perpetual Trust (Note 7)</b>	<b>195,028</b>	<b>227,286</b>
<b>Assets Restricted For Permanent Investment (Note 4)</b>	<b>2,359,795</b>	<b>2,341,841</b>
<b>Total Assets</b>	<b>\$ 11,587,997</b>	<b>\$ 14,028,554</b>
	<b>Liabilities And Net Assets</b>	
<b>Liabilities</b>		
Current portion of long-term EIDL payable (Note 11)	\$ 3,400	\$ 835
Accounts payable and accrued expenses (Note 9)	862,944	888,852
Contests and scholarships payable:		
Oratorical contest	866,100	905,750
CCDHH contest	197,768	225,813
Essay contest	234,750	239,750
Due to Optimist International (Note 9)	194,641	193,742
Due to Member Clubs (Note 9)	3,487,570	3,495,341
Grants payable	94,846	83,580
Gift annuities payable (Note 10)	152,030	159,743
<b>Total Current Liabilities</b>	<b>6,094,049</b>	<b>6,193,406</b>
<b>Long-Term EIDL Payable, Net (Note 11)</b>	<b>146,500</b>	<b>149,065</b>
<b>Total Liabilities</b>	<b>6,240,549</b>	<b>6,342,471</b>
<b>Net Assets</b>		
Without donor restrictions (Note 8)	830,356	2,213,423
With donor restrictions (Note 8)	4,517,092	5,472,660
<b>Total Net Assets</b>	<b>5,347,448</b>	<b>7,686,083</b>
<b>Total Liabilities And Net Assets</b>	<b>\$ 11,587,997</b>	<b>\$ 14,028,554</b>

# OPTIMIST INTERNATIONAL FOUNDATION

## STATEMENT OF ACTIVITIES For The Year Ended September 30, 2022 (With Summarized Financial Information For The Year Ended September 30, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Support, Revenues And Gains (Losses)</b>				
Public Support:				
Contributions (Note 2)	\$ 1,018,684	\$ 60,520	\$ 1,079,204	\$ 781,475
Endowments	—	17,954	17,954	33,358
Club grant program (Note 9)	—	273,490	273,490	226,228
Contributions restricted for scholarships	—	24,645	24,645	11,395
Related party grant (Note 9)	39,850	—	39,850	—
Other, including expired scholarships (Note 2)	107,185	1,419	108,604	83,537
Total Public Support	1,165,719	378,028	1,543,747	1,135,993
Revenues And Gains (Losses):				
Interest and dividends (Note 6)	128,238	68,846	197,084	162,868
Unrealized and realized gains (losses) on investments, net	(1,625,283)	(872,561)	(2,497,844)	1,775,151
Change in value of charitable gift annuities and beneficial interest in perpetual trust (Notes 7 and 10)	(7,988)	(32,258)	(40,246)	20,139
Gain on forgiveness of related party note payable	—	—	—	54,906
Other losses	(2,807)	—	(2,807)	(2,429)
Total Revenues And Gains (Losses)	(1,507,840)	(835,973)	(2,343,813)	2,010,635
Net assets released from restrictions (Note 8)	497,623	(497,623)	—	—
<b>Total Support, Revenues And Gains (Losses)</b>	<b>155,502</b>	<b>(955,568)</b>	<b>(800,066)</b>	<b>3,146,628</b>
<b>Expenses</b>				
Program Services (Note 9)	1,254,203	—	1,254,203	1,282,925
Supporting Activities:				
Management and general	194,721	—	194,721	182,786
Fundraising	89,645	—	89,645	126,652
Total Supporting Activities	284,366	—	284,366	309,438
<b>Total Expenses</b>	<b>1,538,569</b>	<b>—</b>	<b>1,538,569</b>	<b>1,592,363</b>
<b>Increase (Decrease) In Net Assets</b>	<b>(1,383,067)</b>	<b>(955,568)</b>	<b>(2,338,635)</b>	<b>1,554,265</b>
<b>Net Assets - Beginning Of Year</b>	<b>2,213,423</b>	<b>5,472,660</b>	<b>7,686,083</b>	<b>6,131,818</b>
<b>Net Assets - End Of Year</b>	<b>\$ 830,356</b>	<b>\$ 4,517,092</b>	<b>\$ 5,347,448</b>	<b>\$ 7,686,083</b>

# OPTIMIST INTERNATIONAL FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended September 30, 2022

(With Summarized Financial Information

For The Year Ended September 30, 2021)

	2022				2021
	Program Services	Management And General	Fundraising	Total	Total
Scholarships	\$ 482,966	\$ —	\$ —	\$ 482,966	\$ 459,700
Grants	530,952	—	—	530,952	589,187
Conferences and meetings	9,130	9,129	—	18,259	17,422
Publications	5,000	—	—	5,000	7,500
Depreciation and IT costs	12,040	4,321	3,059	19,420	18,564
Volunteer activities	19,367	19,367	—	38,734	33,254
Planned giving	2,625	—	875	3,500	3,500
Salaries and related costs	191,537	68,737	48,658	308,932	283,180
Dues, subscriptions and publications	—	2,438	—	2,438	2,059
Filing fees	—	4,340	—	4,340	4,698
Bad debt recovery	—	(750)	—	(750)	(8,514)
Bank charges	—	17,257	—	17,257	16,677
Miscellaneous	586	969	—	1,555	20,203
Professional services	—	65,528	—	65,528	63,760
Telephone	—	3,385	—	3,385	2,922
Donor awards and recognition	—	—	27,046	27,046	58,055
Collectors' plates/prints	—	—	4,435	4,435	13,123
Office supplies	—	—	1,969	1,969	1,685
Printing	—	—	3,603	3,603	5,388
	\$ 1,254,203	\$ 194,721	\$ 89,645	\$ 1,538,569	\$ 1,592,363



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# OPTIMIST INTERNATIONAL FOUNDATION

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## STATEMENT OF CASH FLOWS For The Year Ended September 30, 2022 (With Summarized Financial Information For The Year Ended September 30, 2021)

	2022	2021
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ (2,338,635)	\$ 1,554,265
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation and amortization	555	234
Contributions restricted for endowment	(17,954)	(33,358)
Realized gains on investments	(572,061)	(285,249)
Unrealized (gains) losses on investments	3,069,905	(1,489,902)
Decrease in cash value of life insurance	2,807	2,429
Change in value of charitable gift annuities and beneficial interest in perpetual trust	40,246	(20,139)
Gain on forgiveness of related party note payable	—	(54,906)
Changes in assets and liabilities:		
Promises to give	260,914	33,272
Related party grant receivable	(21,271)	—
Prepaid expenses and other assets	(785)	(2,512)
Accounts payable and accrued expenses	(25,908)	70,209
Contests and scholarships payable	(72,695)	38,605
Due to Optimist International	899	53,688
Due to Member Clubs	(7,771)	1,127,805
Grants payable	11,265	5,425
<b>Net Cash Provided By Operating Activities</b>	<b>329,511</b>	<b>999,866</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of investments	325,000	225,000
Purchases of investments	(780,215)	(1,194,056)
Payments on promissory note receivable	40,092	38,141
Purchases of property and equipment	(2,403)	—
<b>Net Cash Used In Investing Activities</b>	<b>(417,526)</b>	<b>(930,915)</b>
<b>Cash Flows From Financing Activities</b>		
Payments on charitable gift annuity obligations	(15,700)	(15,700)
Proceeds from contributions restricted for investment in permanent endowment	29,054	44,058
<b>Net Cash Provided By Financing Activities</b>	<b>13,354</b>	<b>28,358</b>
<b>Net Increase (Decrease) In Cash</b>	<b>(74,661)</b>	<b>97,309</b>
<b>Cash - Beginning Of Year</b>	<b>485,177</b>	<b>387,868</b>
<b>Cash - End Of Year</b>	<b>\$ 410,516</b>	<b>\$ 485,177</b>

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# OPTIMIST INTERNATIONAL FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

September 30, 2022

### 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, 2021, from which the summarized information was derived.

## **OPTIMIST INTERNATIONAL FOUNDATION**

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### 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. Management concluded that an allowance for uncollectible promises to give is not necessary as of September 30, 2022.

## **OPTIMIST INTERNATIONAL FOUNDATION**

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### 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, 2022, 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) 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.

For the year ended September 30, 2022, approximately 40% of contributions were from one donor.

#### **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 9,700 entrants. Scholarships are awarded in district level contests in the United States.

## **OPTIMIST INTERNATIONAL FOUNDATION**

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### 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 2022, the Foundation revoked scholarships that were awarded and expensed in prior periods that were unclaimed as of September 30, 2022, resulting in net “revenue” from this program of approximately \$10,500, 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 4,400 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

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### 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 2018 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	\$ 29,031
Endowment	<u>82,600</u>
	<u><u>\$ 111,631</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	\$ 29,031
Assets restricted for permanent investment (Note 4)	<u>82,600</u>
	<u>\$ 111,631</u>

These promises to give are expected to be collected in the following periods:

In one year or less	\$ 40,531
Between one and five years	<u>71,100</u>
	<u>\$ 111,631</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	\$ 2,719,456
Growth and income	3,030,749
Equities - income	939,019
Balanced	929,921
Fixed income	2,582,823
Money market fund	<u>202,392</u>
	<u>\$ 10,404,360</u>

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

Investments	\$ 8,127,165
Assets restricted for permanent investment (Note 8)	<u>2,277,195</u>
	<u>\$ 10,404,360</u>

Assets restricted for permanent endowment on the statement of financial position also include promises to give in the amount of \$82,600 (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, 2022 using quoted prices in active markets (Level 1); significant observable inputs for similar assets and liabilities (Level 2); and significant unobservable inputs (Level 3). The investments in money market funds and mutual funds held by the Foundation at September 30, 2022 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	\$ 125,276
Furniture and fixtures	23,188
Leasehold improvements	10,993
	<hr/>
	159,457
Less: Accumulated depreciation and amortization	157,042
	<hr/>
Depreciable property and equipment, net	2,415
Artwork	26,750
	<hr/>
	\$ 29,165
	<hr/>

Depreciation and amortization expense amounted to \$555 for the year ended September 30, 2022.

### 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, 2022, the promissory note has an outstanding balance of \$315,567 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>
2023	\$ 42,143
2024	44,299
2025	46,566
2026	48,948
2027	51,453
Thereafter	82,158
	<u>\$ 315,567</u>

For the year ended September 30, 2022, total interest income related to the promissory note receivable amounted to \$16,872, 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, 2022 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, 2022, the Foundation recorded a decrease in the value of the beneficial interest in perpetual trust of \$32,258, 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

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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	\$ 380,441
Undesignated	449,915
	<hr/>
	\$ 830,356
	<hr/> <hr/>
Net assets with donor restrictions	
Childhood Cancer Campaign	\$ 621,219
JOOI activities	42,381
Other	8,891
Donor restricted perpetual endowment	2,277,195
Accumulated restricted endowment earnings	1,289,778
Beneficial interest in perpetual trust	195,028
Donor restricted pledges to perpetual endowment	82,600
	<hr/>
	\$ 4,517,092
	<hr/> <hr/>

Net assets released from restrictions consist of the following:

Childhood Cancer Campaign	\$ 64,137
Club Grant Program	273,490
Scholarships and promises to give	27,165
Appropriation of accumulated restricted endowment earnings	128,765
JOOI activities	2,466
Other	1,600
	<hr/>
	\$ 497,623
	<hr/> <hr/>

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

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### 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, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ —	\$ 3,566,973	\$ 3,566,973
Board-designated endowment funds	380,441	—	380,441
	\$ 380,441	\$ 3,566,973	\$ 3,947,414

## OPTIMIST INTERNATIONAL FOUNDATION

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### Notes To Financial Statements (Continued)

#### Changes In Endowment Assets For The Fiscal Year Ended September 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	\$ 463,896	\$ 4,470,398	\$ 4,934,294
Investment return	(83,455)	(803,714)	(887,169)
Payments on promises to give	—	11,100	11,100
Contributions	—	17,954	17,954
Appropriations	—	(128,765)	(128,765)
Endowment assets, end of year	\$ 380,441	\$ 3,566,973	\$ 3,947,414

#### 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 related to market fluctuations are reported in net assets with donor restrictions. Deficiencies of this nature exist in some of the Foundation's donor restricted endowment funds, which had aggregated original gift values of approximately \$623,000, current fair values of approximately \$431,000 and deficiencies of approximately \$192,000 at September 30, 2022. 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

**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, 2022, the Foundation recorded a liability of \$194,641 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, 2022, the Foundation carried a liability of \$3,487,570, 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 \$786,659 at September 30, 2022 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 \$273,490 and disbursed \$273,490 for the year ended September 30, 2022. These amounts are reported as support and program services expenses in the statement of activities.

## **OPTIMIST INTERNATIONAL FOUNDATION**

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### 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, 2022 under this agreement.

In September 2022, the Foundation was awarded a grant from Optimist International that totaled \$39,850. The Foundation recognized the entire balance as income as of September 30, 2022. As of September 30, 2022, \$21,271 of this grant remained as a related party grant receivable.

### **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, 2022, 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 2022. 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, 2022, gift annuities payable totaled \$152,030. For the year ended September 30, 2022, the decrease in value of the charitable gift annuities was \$7,988.

## OPTIMIST INTERNATIONAL FOUNDATION

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### Notes To Financial Statements (Continued)

#### 11. Long-Term EIDL Payable

In June 2020, the Foundation entered into an EIDL 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, 2022 are as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2023	\$ 3,400
2024	3,494
2025	3,592
2026	3,692
2027	3,794
Thereafter	132,028
Gross long-term EIDL payable	150,000
Less: Current portion of long-term EIDL payable	(3,400)
Less: Non-current debt issuance costs	(100)
	<u>\$ 146,500</u>

Offset against borrowings of \$150,000 at September 30, 2022 are unamortized debt issuance costs of \$100 that will be amortized over the life of the loan.

## OPTIMIST INTERNATIONAL FOUNDATION

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

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

As of September 30, 2022, 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	\$ 410,516
Investments	8,127,165
Promissory note receivable	42,143
Related party grant receivable	21,271
Promises to give	29,031
	<u>8,630,126</u>
Less amounts not available to be used within one year:	
Club campaign funds	4,274,229
Accumulated restricted endowment earnings	1,289,778
	<u>5,564,007</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,066,119</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.



## 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, 2022 and 2021, and our report thereon dated March 2, 2023, which expressed an unmodified opinion on those financial statements, appears on pages 1 through 3. 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*

March 2, 2023

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

	<b>For The Years Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>Oratorical Contest Scholarships Program</b>		
Scholarships	\$ 247,500	\$ 246,000
<b>CCDHH Scholarships Program</b>		
Scholarships	47,500	30,000
<b>Essay Contest Scholarships Program</b>		
Scholarships	100,000	97,500
<b>Youth Club Programs</b>		
Scholarships and programs	87,966	86,200
<b>Club Grant Program</b>		
Grants	273,490	226,228
<b>Charitable, Literary And Educational Programs</b>		
Childhood cancer grant	64,136	131,808
Club Campaign funds interest	104,447	86,039
Donor restricted grants	41,791	126,018
International convention	9,130	8,711
Publications	5,000	7,500
Depreciation and IT costs	12,040	11,510
Other programs	47,088	19,094
Volunteer activities	19,367	16,627
Planned giving	2,625	2,625
Costs of goods sold	586	11,494
Allocated staff time and related costs	191,537	175,571
<b>Total Charitable, Literary And Educational Programs</b>	497,747	596,997
	\$ 1,254,203	\$ 1,282,925

**OPTIMIST INTERNATIONAL FOUNDATION**

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**SCHEDULE OF MANAGEMENT AND GENERAL EXPENSES**

	<b>For The Years</b>	
	<b>Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>Volunteer Activities</b>		
Special representatives seminar	\$ 1,353	\$ 1,753
Board of Directors	7,561	5,963
Executive Director	10,453	8,911
Allocated staff time and related costs	23,942	21,946
<b>Total Volunteer Activities</b>	<b>43,309</b>	<b>38,573</b>
<b>International Conventions</b>		
Convention operations	6,663	6,198
Staff travel and lodging	2,466	2,513
Allocated staff time and related costs	16,219	14,867
<b>Total International Conventions</b>	<b>25,348</b>	<b>23,578</b>
<b>Other Management And General</b>		
Allocated staff time and related costs	28,576	26,194
Bad debt recovery	(750)	(8,514)
Bank charges	16,646	16,648
Depreciation and IT costs	4,321	4,130
Dues, subscriptions and publications	2,438	2,059
Loss on foreign currency transactions	611	29
Filing fees - federal and state	4,340	4,698
Miscellaneous expense	969	8,709
Professional services	65,528	63,760
Telephone	3,385	2,922
<b>Total Other Management And General</b>	<b>126,064</b>	<b>120,635</b>
	<b>\$ 194,721</b>	<b>\$ 182,786</b>

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# OPTIMIST INTERNATIONAL FOUNDATION

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## SCHEDULE OF FUNDRAISING EXPENSES

	For The Years	
	Ended September 30,	
	2022	2021
<b>Awards And Recognition</b>		
Donor awards	\$ 17,052	\$ 48,144
Engraving	670	620
Postage and shipping	9,324	9,291
Allocated staff time and related costs	19,308	17,699
<b>Total Awards And Recognition</b>	<b>46,354</b>	<b>75,754</b>
<b>Special Programs</b>		
Collectors' plates/prints	4,435	13,123
Planned giving programs	875	875
Allocated staff time and related costs	16,221	14,869
<b>Total Special Programs</b>	<b>21,531</b>	<b>28,867</b>
<b>Other Fundraising</b>		
Depreciation and IT costs	3,059	2,924
Office supplies	1,969	1,685
Printing	3,603	5,388
Allocated staff time and related costs	13,129	12,034
<b>Total Other Fundraising</b>	<b>21,760</b>	<b>22,031</b>
	\$ 89,645	\$ 126,652

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