
***OPTIMIST INTERNATIONAL
FOUNDATION***
FINANCIAL STATEMENTS
SEPTEMBER 30, 2023



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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, 2023, 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, 2023, 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 2022 financial statements, and our report dated March 2, 2023, 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, 2022 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

February 6, 2024

OPTIMIST INTERNATIONAL FOUNDATION

STATEMENT OF FINANCIAL POSITION

September 30, 2023

(With Summarized Financial Information As Of September 30, 2022)

Assets

	2023	2022
Current Assets		
Cash	\$ 602,332	\$ 410,516
Promises to give - short term (Note 3)	49,674	29,031
Promissory note receivable - short term (Note 6)	44,299	42,143
Prepaid expenses and other assets	37,537	35,559
Investments (Notes 4 and 10)	8,331,682	8,127,165
Related party grant receivable (Note 9)	—	21,271
Cash surrender value of life insurance policies	62,236	64,900
Total Current Assets	9,127,760	8,730,585
Property And Equipment (Note 5)	29,537	29,165
Promissory Note Receivable (Note 6)	229,125	273,424
Beneficial Interest In Perpetual Trust (Note 7)	199,494	195,028
Assets Restricted For Permanent Investment (Note 4)	2,396,489	2,359,795
Total Assets	\$ 11,982,405	\$ 11,587,997

Liabilities And Net Assets

Liabilities		
Current portion of long-term EIDL payable (Note 11)	\$ 3,494	\$ 3,400
Accounts payable and accrued expenses (Note 9)	934,285	862,944
Contests and scholarships payable:		
Oratorical contest	863,352	866,100
CCDHH contest	183,256	197,768
Essay contest	216,000	234,750
Due to Optimist International (Note 9)	193,633	194,641
Due to Member Clubs (Note 9)	2,522,642	3,487,570
Grants payable	111,433	94,846
Gift annuities payable (Note 10)	143,930	152,030
Total Current Liabilities	5,172,025	6,094,049
Long-Term EIDL Payable, Net (Note 11)	144,288	146,500
Total Liabilities	5,316,313	6,240,549
Net Assets		
Without donor restrictions (Note 8)	1,552,849	830,356
With donor restrictions (Note 8)	5,113,243	4,517,092
Total Net Assets	6,666,092	5,347,448
Total Liabilities And Net Assets	\$ 11,982,405	\$ 11,587,997

OPTIMIST INTERNATIONAL FOUNDATION

STATEMENT OF ACTIVITIES For The Year Ended September 30, 2023 (With Summarized Financial Information For The Year Ended September 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support, Revenues And Gains (Losses)				
Public Support:				
Contributions (Note 2)	\$ 922,630	\$ 64,432	\$ 987,062	\$ 1,079,204
Endowments	—	36,694	36,694	17,954
Club grant program (Note 9)	—	282,421	282,421	273,490
Contributions restricted for scholarships	—	23,400	23,400	24,645
Related party grant (Note 9)	—	—	—	39,850
Other, including expired scholarships (Note 2)	45,445	891	46,336	108,604
Total Public Support	968,075	407,838	1,375,913	1,543,747
Revenues And Gains (Losses):				
Interest and dividends (Note 6)	153,410	86,122	239,532	197,084
Unrealized and realized gains (losses) on investments, net	866,802	486,611	1,353,413	(2,497,844)
Change in value of charitable gift annuities and beneficial interest in perpetual trust (Notes 7 and 10)	(7,601)	4,466	(3,135)	(40,246)
Other losses	(2,664)	—	(2,664)	(2,807)
Total Revenues And Gains (Losses)	1,009,947	577,199	1,587,146	(2,343,813)
Net assets released from restrictions (Note 8)	388,886	(388,886)	—	—
Total Support, Revenues And Gains (Losses)	2,366,908	596,151	2,963,059	(800,066)
Expenses				
Program Services (Note 9)	1,341,592	—	1,341,592	1,254,203
Supporting Activities:				
Management and general	223,892	—	223,892	194,721
Fundraising	78,931	—	78,931	89,645
Total Supporting Activities	302,823	—	302,823	284,366
Total Expenses	1,644,415	—	1,644,415	1,538,569
Increase (Decrease) In Net Assets	722,493	596,151	1,318,644	(2,338,635)
Net Assets - Beginning Of Year	830,356	4,517,092	5,347,448	7,686,083
Net Assets - End Of Year	\$ 1,552,849	\$ 5,113,243	\$ 6,666,092	\$ 5,347,448

OPTIMIST INTERNATIONAL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended September 30, 2023

(With Summarized Financial Information

For The Year Ended September 30, 2022)

	2023				2022
	Program Services	Management And General	Fundraising	Total	Total
Scholarships	\$ 518,800	\$ —	\$ —	\$ 518,800	\$ 482,966
Grants	572,081	—	—	572,081	530,952
Conferences and meetings	19,319	19,318	—	38,637	18,259
Publications	5,000	—	—	5,000	5,000
Depreciation and IT costs	14,003	5,025	3,557	22,585	19,420
Volunteer activities	23,273	23,273	—	46,546	38,734
Planned giving	2,625	—	875	3,500	3,500
Salaries and related costs	186,491	66,928	47,377	300,796	308,932
Dues, subscriptions and publications	—	1,674	—	1,674	2,438
Filing fees	—	4,517	—	4,517	4,340
Bad debt recovery	—	—	—	—	(750)
Bank charges	—	20,256	—	20,256	17,257
Miscellaneous	—	1,762	—	1,762	1,555
Professional services	—	77,750	—	77,750	65,528
Telephone	—	3,389	—	3,389	3,385
Donor awards and recognition	—	—	18,920	18,920	27,046
Collectors' plates/prints	—	—	103	103	4,435
Office supplies	—	—	3,134	3,134	1,969
Printing	—	—	4,965	4,965	3,603
	\$ 1,341,592	\$ 223,892	\$ 78,931	\$ 1,644,415	\$ 1,538,569

OPTIMIST INTERNATIONAL FOUNDATION

STATEMENT OF CASH FLOWS For The Year Ended September 30, 2023 (With Summarized Financial Information For The Year Ended September 30, 2022)

	2023	2022
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 1,318,644	\$ (2,338,635)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation and amortization	772	555
Contributions restricted for endowment	(36,694)	(17,954)
Realized gains on investments	(207,569)	(572,061)
Unrealized (gains) losses on investments	(1,145,844)	3,069,905
Decrease in cash value of life insurance	2,664	2,807
Change in value of charitable gift annuities and beneficial interest in perpetual trust	3,135	40,246
Changes in assets and liabilities:		
Promises to give	(20,643)	260,914
Related party grant receivable	21,271	(21,271)
Prepaid expenses and other assets	(1,978)	(785)
Accounts payable and accrued expenses	71,341	(25,908)
Contests and scholarships payable	(36,010)	(72,695)
Due to Optimist International	(1,008)	899
Due to Member Clubs	(964,928)	(7,771)
Grants payable	16,586	11,265
Net Cash Provided By (Used In) Operating Activities	(980,261)	329,511
Cash Flows From Investing Activities		
Proceeds from sale of investments	1,328,093	325,000
Purchases of investments	(227,791)	(780,215)
Payments on promissory note receivable	42,143	40,092
Purchases of property and equipment	(1,144)	(2,403)
Net Cash Provided By (Used In) Investing Activities	1,141,301	(417,526)
Cash Flows From Financing Activities		
Payments on charitable gift annuity obligations	(15,700)	(15,700)
Principal payments on long-term EIDL payable	(2,118)	—
Proceeds from contributions restricted for investment in permanent endowment	48,594	29,054
Net Cash Provided By Financing Activities	30,776	13,354
Net Increase (Decrease) In Cash	191,816	(74,661)
Cash - Beginning Of Year	410,516	485,177
Cash - End Of Year	\$ 602,332	\$ 410,516

OPTIMIST INTERNATIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

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, 2022, 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. Management concluded that an allowance for uncollectible promises to give is not necessary as of September 30, 2023.

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, 2023, 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.

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 10,100 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 2023, the Foundation revoked scholarships that were awarded and expensed in prior periods that were unclaimed as of September 30, 2023, resulting in net “revenue” from this program of approximately \$21,200, 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 3,900 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 2019 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	\$ 49,674
Endowment	<u>70,700</u>
	<u><u>\$ 120,374</u></u>

OPTIMIST INTERNATIONAL FOUNDATION

Notes To Financial Statements *(Continued)*

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

Promises to give - short term	\$ 49,674
Assets restricted for permanent investment (Note 4)	<u>70,700</u>
	<u><u>\$ 120,374</u></u>

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

In one year or less	\$ 57,874
Between one and five years	<u>62,500</u>
	<u><u>\$ 120,374</u></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	\$ 2,688,210
Growth and income	3,170,762
Equities - income	1,025,031
Balanced	1,042,373
Fixed income	2,096,101
Money market fund	<u>634,994</u>
	<u><u>\$ 10,657,471</u></u>

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

Investments	\$ 8,331,682
Assets restricted for permanent investment (Note 8)	<u>2,325,789</u>
	<u><u>\$ 10,657,471</u></u>

Assets restricted for permanent endowment on the statement of financial position also include promises to give in the amount of \$70,700 (Note 3).

OPTIMIST INTERNATIONAL FOUNDATION

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, 2023 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, 2023 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	\$ 126,420
Furniture and fixtures	23,188
Leasehold improvements	10,993
	<u>160,601</u>
Less: Accumulated depreciation and amortization	157,814
Depreciable property and equipment, net	<u>2,787</u>
Artwork	<u>26,750</u>
	<u><u>\$ 29,537</u></u>

Depreciation and amortization expense amounted to \$772 for the year ended September 30, 2023.

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, 2023, the promissory note has an outstanding balance of \$273,424 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:

Year	Amount
2024	\$ 44,299
2025	46,566
2026	48,948
2027	51,453
2028	54,085
Thereafter	28,073
	<u>\$ 273,424</u>

For the year ended September 30, 2023, total interest income related to the promissory note receivable amounted to \$14,821, 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, 2023 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, 2023, the Foundation recorded an increase in the value of the beneficial interest in perpetual trust of \$4,466, 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	\$ 438,116
Undesignated	1,114,733
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	\$ 1,552,849
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Net assets with donor restrictions	
Childhood Cancer Campaign	\$ 648,390
JOOI activities	43,017
Other	8,536
Donor restricted perpetual endowment	2,325,789
Accumulated restricted endowment earnings	1,817,317
Beneficial interest in perpetual trust	199,494
Donor restricted pledges to perpetual endowment	70,700
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	\$ 5,113,243
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Net assets released from restrictions consist of the following:

Childhood Cancer Campaign	\$ 37,621
Club Grant Program	282,421
Scholarships and promises to give	23,400
Appropriation of accumulated restricted	
endowment earnings	45,194
Other	250
	<hr/>
	\$ 388,886
	<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

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, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ —	\$ 4,143,106	\$ 4,143,106
Board-designated endowment funds	438,116	—	438,116
	<u>\$ 438,116</u>	<u>\$ 4,143,106</u>	<u>\$ 4,581,222</u>

OPTIMIST INTERNATIONAL FOUNDATION

Notes To Financial Statements (Continued)**Changes In Endowment Assets For The Fiscal Year Ended September 30, 2023:**

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	\$ 380,441	\$ 3,566,973	\$ 3,947,414
Investment return	57,675	572,733	630,408
Payments on promises to give	—	11,900	11,900
Contributions	—	36,694	36,694
Appropriations	—	(45,194)	(45,194)
Endowment assets, end of year	\$ 438,116	\$ 4,143,106	\$ 4,581,222

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 thirteen of the Foundation's donor restricted endowment funds, which had aggregated original gift values of approximately \$640,000, current fair values of approximately \$513,000 and deficiencies of approximately \$127,000 at September 30, 2023. 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, 2023, the Foundation recorded a liability of \$193,633 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, 2023, the Foundation carried a liability of \$2,522,642, 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 \$802,845 at September 30, 2023 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 \$282,421 and disbursed \$282,421 for the year ended September 30, 2023. These amounts are reported as support and program services 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, 2023 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, 2023, 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 \$15,200 in 2023. 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, 2023, gift annuities payable totaled \$143,930. For the year ended September 30, 2023, the decrease in value of the charitable gift annuities was \$7,601.

OPTIMIST INTERNATIONAL FOUNDATION

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, 2023 are as follows:

Year Ended September 30,	Amount
2024	\$ 3,494
2025	3,592
2026	3,692
2027	3,794
2028	3,900
Thereafter	129,410
Gross long-term EIDL payable	147,882
Less: Current portion of long-term EIDL payable	(3,494)
Less: Non-current debt issuance costs	(100)
	<u>\$ 144,288</u>

Offset against borrowings of \$147,882 at September 30, 2023 are unamortized debt issuance costs of \$100 that will be amortized over the life of the loan.

12. Liquidity And Availability Of Financial Assets

As of September 30, 2023, 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	\$ 602,332
Investments	8,331,682
Promissory note receivable	44,299
Promises to give	49,674
	<u>9,027,987</u>
Less amounts not available to be used within one year:	
Club campaign funds	3,325,487
Accumulated restricted endowment earnings	1,817,317
	<u>5,142,804</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,885,183</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 year ended September 30, 2023, and our report thereon dated February 6, 2024, which expressed an unmodified opinion on those financial statements, appears on pages 1 through 3. Our audit was 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 6, 2024

OPTIMIST INTERNATIONAL FOUNDATION

SCHEDULE OF PROGRAM SERVICES EXPENSES

	For The Years Ended September 30,	
	2023	2022
Oratorical Contest Scholarships Program		
Scholarships	\$ 244,000	\$ 247,500
CCDHH Scholarships Program		
Scholarships	42,500	47,500
Essay Contest Scholarships Program		
Scholarships	97,500	100,000
Youth Club Programs		
Scholarships and programs	134,800	87,966
Club Grant Program		
Grants	282,421	273,490
Charitable, Literary And Educational Programs		
Childhood cancer grant	37,261	64,136
Club Campaign funds interest	100,951	104,447
Donor restricted grants	105,029	41,791
International convention	19,319	9,130
Publications	5,000	5,000
Depreciation and IT costs	14,003	12,040
Other programs	46,419	47,088
Volunteer activities	23,273	19,367
Planned giving	2,625	2,625
Costs of goods sold	—	586
Allocated staff time and related costs	186,491	191,537
Total Charitable, Literary And Educational Programs	540,371	497,747
	\$ 1,341,592	\$ 1,254,203

OPTIMIST INTERNATIONAL FOUNDATION

SCHEDULE OF MANAGEMENT AND GENERAL EXPENSES

	For The Years Ended September 30,	
	2023	2022
Volunteer Activities		
Special representatives seminar	\$ 544	\$ 1,353
Board of Directors	9,574	7,561
Executive Director	13,155	10,453
Allocated staff time and related costs	23,312	23,942
Total Volunteer Activities	46,585	43,309
International Conventions		
Convention operations	16,178	6,663
Staff travel and lodging	3,140	2,466
Allocated staff time and related costs	15,792	16,219
Total International Conventions	35,110	25,348
Other Management And General		
Allocated staff time and related costs	27,824	28,576
Bad debt recovery	—	(750)
Bank charges	20,256	16,646
Depreciation and IT costs	5,025	4,321
Dues, subscriptions and publications	1,674	2,438
Loss on foreign currency transactions	—	611
Filing fees - federal and state	4,517	4,340
Miscellaneous expense	1,762	969
Professional services	77,750	65,528
Telephone	3,389	3,385
Total Other Management And General	142,197	126,064
	\$ 223,892	\$ 194,721

OPTIMIST INTERNATIONAL FOUNDATION

SCHEDULE OF FUNDRAISING EXPENSES

	For The Years Ended September 30,	
	2023	2022
Awards And Recognition		
Donor awards	\$ 6,123	\$ 17,052
Engraving	505	670
Postage and shipping	12,292	9,324
Allocated staff time and related costs	18,800	19,308
Total Awards And Recognition	37,720	46,354
Special Programs		
Collectors' plates/prints	103	4,435
Planned giving programs	875	875
Allocated staff time and related costs	15,794	16,221
Total Special Programs	16,772	21,531
Other Fundraising		
Depreciation and IT costs	3,557	3,059
Office supplies	3,134	1,969
Printing	4,965	3,603
Allocated staff time and related costs	12,783	13,129
Total Other Fundraising	24,439	21,760
	\$ 78,931	\$ 89,645
