
**OPTIMIST INTERNATIONAL
AND RELATED ORGANIZATION**
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009



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Independent Auditors' Report

Board of Directors
Optimist International
St. Louis, Missouri

We have audited the accompanying consolidated statement of financial position of Optimist International and Optimist International Youth Programs Foundation (collectively, Optimist), both not-for-profit organizations, as of September 30, 2009, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of Optimist's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from Optimist's September 30, 2008 financial statements and, in our report dated December 31, 2008, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Optimist's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Optimist International and Optimist International Youth Programs Foundation as of September 30, 2009, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The consolidated 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 Optimist's consolidated financial statements for the year ended September 30, 2008, from which the summarized information was derived.

RubinBrown LLP

December 21, 2009

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

September 30, 2009

(With Summarized Financial Information As Of September 30, 2008)

Assets

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 1,058,202	\$ 520,987
Certificates of deposit	—	79,897
Other investments	78,375	72,095
Accounts receivable, net (Notes 3 and 15)	70,581	58,950
Due from Optimist International Foundation (Note 11)	118,770	57,030
Inventories (Notes 14 and 15)	5,536	22,766
Prepaid expenses and other current assets	233,134	478,014
Cash surrender value of life insurance	—	303,476
Property and equipment (Notes 4, 5, 6 and 15)	512,394	591,649
Total Assets	\$ 2,076,992	\$ 2,184,864

Liabilities And Net Assets

Liabilities

Accounts payable	\$ 75,155	\$ 64,230
Accrued expenses and other liabilities	424,560	370,825
Current portion of capital lease obligation (Note 5)	27,021	25,963
Current portion of promissory note payable (Note 6)	23,089	18,044
Due to districts	85,799	86,024
Deferred revenue	12,122	3,564
Line of credit payable (Note 15)	150,000	—
Long-term portion of capital lease obligation (Note 5)	52,430	79,450
Long-term portion of promissory note payable (Note 6)	678,384	703,394
Pension liabilities (Note 7)	705,408	1,082,087
Total Liabilities	2,233,968	2,433,581

Unrestricted Net Assets

Undesignated - general	(668,294)	(792,304)
Net investment in property and equipment	432,943	471,492
Designated - Endowment Fund	78,375	72,095
Total Unrestricted Net Assets	(156,976)	(248,717)

Total Liabilities And Net Assets	\$ 2,076,992	\$ 2,184,864
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OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

CONSOLIDATED STATEMENT OF ACTIVITIES

For The Year Ended September 30, 2009

(With Summarized Financial Information

For The Year Ended September 30, 2008)

	2009	2008
Revenues		
Dues, fees and magazine subscriptions	\$ 4,075,078	\$ 4,094,284
Processing fees	141,950	160,541
Charter fees	33,544	33,487
Life membership fees	94,758	108,742
International President's recognition award	1,272	593
International convention	236,240	251,562
Junior Optimist, Octagon and Alpha fees	182,660	190,478
Youth Programs Foundation revenues (Note 8)	877,391	968,145
Optimist International Foundation grant revenue (Note 11)	234,518	246,404
Corporate grant revenue	—	28,000
Income and royalties from sales of supplies (Note 14)	142,404	229,612
Gain on foreign currency transactions	2,616	29,654
Other	96,915	138,348
Total Revenues	6,119,346	6,479,850
Expenses (Note 12)		
Allocated dues to districts	65,908	77,790
Club insurance premiums	716,173	777,172
Growth and member services	615,128	721,037
Club programs	492,636	518,464
Membership development	210,816	282,166
Communication	392,666	430,180
Meeting services	159,113	168,105
International convention	301,067	327,889
International development	282	70,967
Canadian office services	334,803	384,950
Building maintenance	188,594	199,882
Finance, administration, information services and facilities	815,226	965,640
Loss on uncollectible accounts and pledges	59,556	60,281
Executive director department	345,622	356,279
Board and officers	192,182	231,504
Committees	63,481	76,543
Youth Programs Foundation expenses (Note 8)	876,729	936,500
Cost of supplies sold (Note 14)	15,718	286,500
Depreciation	109,750	111,269
Interest expense	50,821	31,453
Total Expenses	6,006,271	7,014,571
Excess (Deficiency) Of Revenues Over Expenses	113,075	(534,721)
Pension Plan Changes Other Than Net Periodic Benefit Cost (Note 7)	(21,334)	(271,991)
Increase (Decrease) In Unrestricted Net Assets	91,741	(806,712)
Unrestricted Net Assets - Beginning Of Year	(248,717)	557,995
Unrestricted Net Assets - End Of Year	\$ (156,976)	\$ (248,717)

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Years Ended September 30, 2009

(With Summarized Financial Information

For The Year Ended September 30, 2008)

	2009	2008
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 91,741	\$ (806,712)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	109,750	111,269
Increase in cash surrender value of life insurance	—	(19,423)
Net change from pension plans other than net periodic benefit cost	21,334	271,991
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(11,631)	38,916
(Increase) decrease in due from Optimist International Foundation	(61,740)	91,866
Decrease in inventories	17,230	60,670
Decrease in prepaid expenses and other current assets	244,880	79,487
Increase (decrease) in accounts payable	10,925	(20,808)
Increase in accrued expenses and other liabilities	53,735	44,626
Increase (decrease) in due to districts	(225)	8,303
Increase in in deferred revenue	8,558	1,305
Decrease in pension liabilities	(398,013)	(762,315)
Net Cash Provided By (Used In) Operating Activities	86,544	(900,825)
Cash Flows From Investing Activities		
Net maturities of certificates of deposit	79,897	205,750
Purchase of other investments	(6,280)	(2,772)
Proceeds from the liquidation of life insurance policies	303,476	—
Purchase of property and equipment	(30,495)	(100,247)
Net Cash Provided By Investing Activities	346,598	102,731
Cash Flows From Financing Activities		
Payments on capital lease obligation	(25,962)	(24,946)
Proceeds of promissory note payable	—	730,000
Repayments of promissory note payable	(19,965)	(8,562)
Borrowings on line of credit	150,000	150,000
Payments on line of credit	—	(150,000)
Net Cash Provided By Financing Activities	104,073	696,492
Net Increase (Decrease) In Cash And Cash Equivalents	537,215	(101,602)
Cash And Cash Equivalents - Beginning Of Year	520,987	622,589
Cash And Cash Equivalents - End Of Year	\$ 1,058,202	\$ 520,987
Supplemental Cash Flow Information		
Interest paid	\$ 50,821	\$ 31,453

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2009

1. Summary Of Significant Accounting Policies

Principles Of Consolidation

The accompanying consolidated financial statements include the accounts of Optimist International and Optimist International Youth Programs Foundation (Youth Programs) (collectively, Optimist). Youth Programs was incorporated during fiscal year 1996 to sponsor activities and programs which foster the development of minors. Youth Programs is controlled by Optimist International, resulting in consolidation in these financial statements. All transactions and balances between Optimist International and Youth Programs have been eliminated in consolidation.

The accounts of the 48 administrative districts and 2,944 clubs for the year ended September 30, 2009 are not combined with the accounts of Optimist, since the districts and clubs control their own assets.

Basis Of Accounting

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

Basis Of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-205. Under ASC 958-210, Optimist is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As of September 30, 2009, Optimist has no temporarily or permanently restricted net assets.

The consolidated financial statements include certain prior year summarized comparative information in total but not by net 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 Optimist's consolidated financial statements for the year ended September 30, 2008, from which the summarized information was derived.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated 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 reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash And Cash Equivalents

Optimist considers all temporary cash investments with an original maturity date less than three months from the date of purchase as cash equivalents. Optimist invests its cash with financial institutions with strong credit ratings. At times, such balances may be in excess of Federal Deposit Insurance Corporation insurance limits.

Accounts Receivable

Accounts receivable are stated at the amount that management expects to collect from outstanding balances. Management provides for probable uncollected amounts through a charge to the change in net assets and a credit to the valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Inventories

Inventories are stated at net realizable value, as Optimist has voted to suspend retail supply operations (Note 14). Inventories consist of club materials and other merchandise.

Property And Equipment

Property and equipment are carried at cost, less accumulated depreciation computed using the straight-line method over periods ranging from 5 to 40 years.

Revenues

Revenues from member dues, insurance assessments and magazine subscriptions are recognized as earned ratably over the fiscal year. Any payments received in advance are recorded as deferred revenue. Life membership fees are recognized as revenue when received. Grants from Optimist International Foundation and others are recognized in the year that the pledge of support is made.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (*Continued*)

Restricted And Unrestricted Support

Optimist reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Optimist reports temporarily restricted contributions as unrestricted in the current year when Optimist meets the donor restrictions in the same period as receipt of the contributions.

Foreign Exchange

The accounts held in Canadian funds, primarily accounts receivable, inventories, accounts payable and accrued expenses, are included in the financial statements after translation at appropriate rates of exchange. Gains or losses resulting from such translation are included in gain on foreign currency transactions on the consolidated statement of activities. Cumulative translation gains or losses are not significant to Optimist at September 30, 2009.

Expense Allocation

Expenses are charged to program services and supporting activities on the basis of periodic time and expense studies and management estimates. General management expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Optimist. See Note 12 for the functional allocation of expenses by the applicable program services and supporting activities.

Subsequent Events

Management has evaluated subsequent events through December 21, 2009, the date which the financial statements were available for issue.

Tax Status

Optimist International has received a favorable determination letter from the Internal Revenue Service and is exempt from federal income taxes under the provisions of Code Section 501(c)(4). Youth Programs has received a favorable determination letter from the Internal Revenue Service for exemption from federal income taxes under the provisions of Code Section 501(c)(3).

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (*Continued*)

Optimist has elected to defer, until October 1, 2009, implementation of recently issued accounting rules for uncertain tax positions. These rules require financial statement recognition of the impact of a tax position if a position is more likely than not of being sustained on audit, based on the technical merits of the position. Additionally, these rules provide guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, transaction, and disclosure requirements for uncertain tax positions. Optimist's current accounting policy is to evaluate uncertain tax positions, including those related to unrelated business income, using the framework set forth in ASC 450-20, *Loss Contingencies*.

2. Operations

The purposes of Optimist International are to foster an optimistic way of life through a network of Optimists, dedicated to the full development of their potential in order to provide ever-expanding service to youth, the community and the world.

3. Accounts Receivable

Accounts receivable consist of the following:

Accounts receivable from clubs	\$ 95,109
Less: Allowance for doubtful accounts	<u>24,528</u>
	<u><u>\$ 70,581</u></u>

4. Property And Equipment

Property and equipment consist of the following:

Land	\$ 158,417
Building	2,012,228
Furniture and equipment	3,281,184
Projects-in-progress	<u>233</u>
	5,452,062
Less: Accumulated depreciation	<u>4,939,668</u>
	<u><u>\$ 512,394</u></u>

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (*Continued*)

5. Capital Lease Obligation

A certain lease in which Optimist is the lessee is considered to be equivalent to an installment purchase for purposes of accounting presentation. Assets under the capital lease are capitalized using interest rates appropriate at the inception of the lease and amortized over a five-year period. Amortization of the lease is included in depreciation expense. Assets recorded under a capital lease at September 30, 2009 are valued at \$134,421, less accumulated amortization of \$58,249.

Future minimum lease payments related to this lease as of September 30, 2009 are as follows:

<u>Year</u>	<u>Amount</u>
2010	\$ 29,707
2011	29,707
2012	24,756
Total minimum obligations	84,170
Less: Amounts representing interest	4,719
Present value of minimum lease payments	79,451
Less: Current portion	27,021
	<u>\$ 52,430</u>

6. Promissory Note Payable

On April 1, 2008, Optimist International entered into a promissory note agreement with Optimist International Foundation for the purpose of funding Optimist International's defined benefit pension plan. The promissory note, which is secured by a deed of trust and security agreement on Optimist International's office building in St. Louis, Missouri, had an original principal balance of \$730,000 and an interest rate of 6.97%. Commencing on December 31, 2008 and on each December 31 thereafter, the interest rate for the calendar year will be adjusted to equal the U.S. Aggregate Index for a 12-month period as published by Lehman Brothers (5.24% effective December 31, 2008). The promissory note does not have a prepayment penalty. As of September 30, 2009, the promissory note has an outstanding balance of \$701,473.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements *(Continued)*

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

<u>Year</u>	<u>Amount</u>
2010	\$ 23,089
2011	24,328
2012	25,634
2013	27,010
2014	28,460
Thereafter	572,952
	<u>\$ 701,473</u>

For the year ended September 30, 2009, total interest expense on all obligations amounted to \$50,821.

7. Pension Plans

Optimist has a noncontributory defined benefit pension plan (pension plan) covering all U.S. employees who qualified for the plan as of September 30, 1997.

Additionally, a nonqualified supplemental pension plan (supplemental plan) was adopted in 1992. The plan covers seven employees and is intended to provide a supplement to the employees' retirement benefits, which were reduced as a result of certain Employee Retirement Income Security Act of 1974 (ERISA) amendments.

Pension cost is determined based upon years of service and compensation levels. Pension cost was determined using the projected unit credit method. Prior year service costs are amortized over 15 years, which represents the average remaining service period of employees. The Plan is measured for the current fiscal year at October 1, 2008. Optimist's funding policy is to make, as a minimum contribution, the equivalent of the minimum required by the ERISA. Optimist's contribution to the pension plan amounted to \$498,242 in 2009. Benefit accounts were frozen as of September 30, 1997.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (Continued)

The following table sets forth the plans' funded status for the year ended September 30, 2009:

	Defined Benefit Pension Plan	Supplemental Pension Plan	Total Pension Plans
Change In Benefit Obligation			
Benefit obligation at beginning of year	\$ 2,581,441	\$ 462,452	\$ 3,043,893
Interest cost	159,974	26,181	186,155
Actuarial loss	69,778	25,725	95,503
Benefits paid	(240,627)	(52,205)	(292,832)
Benefit obligation at end of year	2,570,566	462,153	3,032,719
Change In Plan Assets			
Fair value of plan assets at beginning of year	1,961,806	—	1,961,806
Actual return on plan assets	107,890	—	107,890
Employer contribution	498,242	52,205	550,447
Benefits paid	(240,627)	(52,205)	(292,832)
Fair value of plan assets at end of year	2,327,311	—	2,327,311
Funded status	\$ (243,255)	\$ (462,153)	\$ (705,408)

Weighted Average Assumptions Utilized

Discount rate	6.50%	6.00%
Expected return on plan assets	7.00%	N/A

The funded status of the pension plan and the supplemental pension plan has been recorded as a liability on Optimist's consolidated statement of financial position at September 30, 2009.

The pension plan assets are placed with money managers recommended by the pension plan's consultant. The Pension Committee reviews the performance of the managers on an ongoing basis and meets at least annually with the consultant. The expected long-term return on plan assets assumption is based on a periodic review and modeling of the plan's asset allocation and liability structure over a long-term period. Expectations of returns for each asset class are based on comprehensive reviews of historical data and economic/financial market theory.

The supplement pension plan is currently unfunded and will be funded by Optimist as benefits are due to participants. In previous years, Optimist had purchased life insurance policies on the participants. During 2009, the policies were redeemed at their surrender value of \$303,476, and the proceeds were contributed to the plan assets of the defined benefit pension plan.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (Continued)

The net periodic benefit cost includes the following components:

	Defined Benefit Pension Plan	Supplemental Pension Plan	Total Pension Plans
Interest cost	\$ 159,974	\$ 26,181	\$ 186,155
Expected return on plan assets	(135,886)	—	(135,886)
Net amortization	90,295	11,870	102,165
	<u>\$ 114,383</u>	<u>\$ 38,051</u>	<u>\$ 152,434</u>

The total net periodic benefit cost of \$152,434 is recorded as an expense in the statement of activities for 2009.

Amounts recognized in the statement of activities for pension plan changes other than net periodic benefit cost consist of the following:

Net loss - defined benefit	\$ (7,479)
Net loss - supplemental pension	<u>(13,855)</u>
	<u>\$ (21,334)</u>

Defined benefit pension plan assets consist principally of common stock, U.S. Government and corporate obligations and guaranteed investment contracts and are allocated as follows as of September 30, 2009:

Fixed income	\$ 628,374	27%
Equity securities	1,698,937	73%
	<u>\$ 2,327,311</u>	<u>100%</u>

The asset allocation goal of the defined benefit pension plan assets is 60% equity securities and 40% fixed income. The assets are to be invested in conservative, well-known vehicles traded on established U.S. exchanges.

Management has estimated, based on actuarial information, that a contribution of \$140,000 will be required for the defined benefit pension plan for the year ending September 30, 2010.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (Continued)

Benefit payments related to both plans are estimated to be paid out as follows:

Year	Defined Benefit Pension Plan	Supplemental Pension Plan	Total Pension Plans
2010	\$ 226,000	\$ 52,205	\$ 278,205
2011	230,000	50,514	280,514
2012	226,000	48,681	274,681
2013	223,000	46,703	269,703
2014	223,000	44,579	267,579
2015 - 2019	1,065,000	186,573	1,251,573
	<u>\$ 2,193,000</u>	<u>\$ 429,255</u>	<u>\$ 2,622,255</u>

In addition, Optimist has established a defined contribution 401(k) plan for its U.S. employees whereby the Organization makes matching contributions of up to 6% of the salary of each eligible employee. Optimist's contribution to the plan amounted to \$78,638 in 2009.

Effective October 1, 1999, Optimist International established a defined contribution Registered Retirement Savings Plan to replace the previously terminated defined benefit plan for its Canadian employees. Optimist's contribution to the plan amounted to \$7,759 in 2009.

8. Youth Programs Foundation

Youth Programs Foundation activity consists of the following:

Youth Programs Foundation revenues	\$ 877,391
Youth Programs Foundation expenses	<u>876,729</u>
	<u>\$ 662</u>

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (*Continued*)

9. Operating Lease

Optimist leases an office in Canada under an operating lease. At September 30, 2009, the future minimum rental payments under this lease are as follows:

Year	Amount
2010	\$ 37,450
2011	37,450
2012	37,450
2013	21,846
	<u>\$ 134,196</u>

Rent expense recorded by Optimist was approximately \$33,800 for 2009.

10. General Liability Insurance

Optimist maintains general liability insurance coverage for itself, all member districts and clubs in the total amount of \$10,000,000 per occurrence and aggregate. The insurance costs are reported separately in the consolidated financial statements.

11. Related Party Transactions

Optimist International Foundation reimburses Optimist for certain payments of payroll, and for other administrative charges and services. All such reimbursements were included in the amounts due to Optimist at September 30, 2009. Additional administrative services are provided without charge.

Optimist International Foundation also provides grants to Optimist for various programs. The grants to Optimist total \$234,518 for the year ended September 30, 2009.

During 2004, Optimist irrevocably pledged \$920,000 to Johns Hopkins University for childhood cancer research. However, the agreement states that in the event Optimist is unable to fully fund this pledge beyond \$500,000 at July 18, 2009, Optimist will not be responsible for additional funding. As of September 30, 2008, Optimist paid \$500,000 to Johns Hopkins University. In 2009, the Board agreed to keep the fundraising campaign open until December 31, 2009, at which date it will conclude.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (*Continued*)

At September 30, 2009, Optimist has recorded a receivable of \$118,770 related to grants made and services rendered during the current year.

12. Functional Expenses

The following is a detail of expenses by functional classification:

Programs:	
Allocated dues to districts	\$ 65,908
Club insurance premiums	716,173
International development	282
Club growth and services	1,203,401
Youth Clubs and JOOI Programs	56,969
Youth Programs Foundation direct expenses	876,729
O.I. Youth Programs Foundation - allocated indirect expenses	25,935
Club programs	488,142
Cost of supplies sold	15,718
Communications and magazine	443,965
Total programs	<u>3,893,222</u>
Supporting activities:	
International convention	422,445
Volunteer leadership expenses	585,585
General management	1,105,019
Total supporting activities	<u>2,113,049</u>
	<u>\$ 6,006,271</u>

13. Contingencies

Optimist International maintains an office in Canada and employs several individuals at this office. Under Canadian employment law, certain employees of Optimist International may be entitled to severance pay. Optimist International does not expect to incur a severance liability at September 30, 2009.

Optimist International enters into contracts with hotels for the annual convention and other meeting events significantly earlier than the scheduled dates of the events. Such contracts typically allow for a reduction, at a predetermined percent, of the original contract amount. However, in the circumstance that such a contract is cancelled, a penalty is usually assessed at a percentage of the original contract amount based on the date of cancellation and the date of the event. As of September 30, 2009, no such cancellations are expected.

14. Retail Supply Operations

During 2007, the Optimist International Board of Directors voted to suspend retail supply operations at the Canadian Service Center. The supply operation was transitioned to a third-party service provider during 2008. Optimist will sell any remaining inventories related to the supply operations. As of September 30, 2009, Optimist recorded these inventories at their net realizable value.

15. Line Of Credit

Optimist maintains a line of credit agreement with a financial institution. Optimist is permitted to borrow up to \$250,000 on the line of credit. The line of credit bears interest at 3.74%, and terminates on February 7, 2010. As of September 30, 2009, \$150,000 is due under the line of credit agreement. The line of credit is secured by an interest in Optimist's inventory, accounts receivable, and equipment.

16. Risks And Uncertainties

Optimist derives the majority of its revenue from membership dues and fees. Membership in the organization may fluctuate based upon larger cultural and economic trends, such as significant downturns in the economy. Due to the level of risk associated with declines in membership of the organization, it is at least reasonably possible that declines in membership revenue will occur in the short term and that such changes could materially affect amounts reported in the statement of activities.

17. Employment Agreement

Optimist has executed an employment agreement with a key officer. The terms of the agreement run through September 30, 2011, and include provisions regarding compensation, benefits and effects of termination.

Independent Auditors' Report On Supplementary Information

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedule of consolidated revenues, expenditures and comparison with budget and the schedule of changes in membership and officers and directors for the year ended September 30, 2009 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

RubinBrown LLP

December 21, 2009

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

SCHEDULE OF CONSOLIDATED REVENUES, EXPENDITURES AND COMPARISON WITH BUDGET For The Years Ended September 30, 2009 And 2008

	2009			2008		
	Actual	Budget	Favorable (Unfavorable)	Actual	Budget	Favorable (Unfavorable)
Revenues						
Dues, fees and magazine subscriptions	\$ 4,075,078	\$ 4,159,275	\$ (84,197)	\$ 4,094,284	\$ 4,215,507	\$ (121,223)
Processing fees	141,950	165,000	(23,050)	160,541	198,000	(37,459)
Charter fees	33,544	47,250	(13,706)	33,487	45,000	(11,513)
Life membership fees	94,758	105,000	(10,242)	108,742	135,000	(26,258)
International President's recognition awards	1,272	—	1,272	593	—	593
International development revenue	275	4,500	(4,225)	2,699	5,000	(2,301)
International convention	236,240	285,740	(49,500)	251,562	303,170	(51,608)
Junior Optimist, Octagon and Alpha fees	182,660	190,375	(7,715)	190,478	197,010	(6,532)
Youth Programs Foundation revenues	877,391	1,001,650	(124,259)	968,145	1,036,470	(68,325)
Optimist International Foundation grant revenue	234,518	185,348	49,170	246,404	260,783	(14,379)
Corporate grant revenue	—	—	—	28,000	25,000	3,000
Income and royalties from sales of supplies less cost of supplies sold	126,686	155,250	(28,564)	(56,888)	44,591	(101,479)
Gain on foreign currency transactions	2,616	—	2,616	29,654	—	29,654
Utilization of Building Reserve	—	—	—	—	150,000	(150,000)
Other	96,646	40,850	55,796	135,649	42,250	93,399
Total Revenues	6,103,634	6,340,238	(236,604)	6,193,350	6,657,781	(464,431)
Expenditures						
Allocated dues to districts	65,908	70,000	4,092	77,790	70,000	(7,790)
Club insurance premiums	716,173	784,000	67,827	777,172	775,000	(2,172)
Growth and member services	615,128	804,354	189,226	721,037	766,568	45,531
Club programs	492,636	496,939	4,303	518,464	620,586	102,122
Membership development	210,816	258,750	47,934	282,166	289,798	7,632
Communication	392,666	354,021	(38,645)	430,180	376,697	(53,483)
Meeting services	159,113	173,579	14,466	168,105	168,687	582
International convention	301,067	342,690	41,623	327,889	401,794	73,905
International development	282	2,950	2,668	70,967	99,087	28,120
Canadian office services	334,803	340,907	6,104	384,950	285,777	(99,173)
Building maintenance	188,594	201,776	13,182	199,882	209,515	9,633
Finance, administration, information services and facilities	815,226	734,936	(80,290)	965,640	724,140	(241,500)
Loss on uncollectible accounts and pledges	59,556	24,000	(35,556)	60,281	24,000	(36,281)
Executive director department	345,622	343,389	(2,233)	356,279	354,121	(2,158)
Board and officers	192,182	189,975	(2,207)	231,504	208,900	(22,604)
Committees	63,481	81,055	17,574	76,543	85,270	8,727
Youth Programs Foundation expenses	876,729	1,002,028	125,299	936,500	1,040,845	104,345
Capital improvements	30,495	90,000	59,505	116,359	150,000	33,641
Interest expense	50,821	53,465	2,644	31,453	3,500	(27,953)
Total Expenditures	5,911,298	6,348,814	437,516	6,733,161	6,654,285	(78,876)
Excess (Deficiency) Of Revenues Over Expenditures	\$ 192,336	\$ (8,576)	\$ 200,912	\$ (539,811)	\$ 3,496	\$ (543,307)

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

SCHEDULE OF CHANGES IN MEMBERSHIP AND OFFICERS AND DIRECTORS

For The Year Ended September 30, 2009

	<u>Member Clubs</u>	<u>Members</u>
Membership, September 30, 2008	3,057	97,333
New clubs and members	90	13,411
Less: Discontinued clubs and members	203	19,653
Membership, September 30, 2009	2,944	91,091

Officers and Directors - 2008-09:

Don Sievers	President
Mark Shriver	President - Elect
Theo Golding	Immediate Past President
Ken Garner	Board Member
Marlene Phillips	Board Member
Carrollyn Cox	Board Member
Dee Rushforth	Board Member
Claire Labreche	Board Member
Herb Strather	Board Member
Julie d'Auteuil	President of JOOI

Officers and Directors - 2009-10:

Mark Shriver	President
Danny Rodgers	President - Elect
Don Sievers	Immediate Past President
Ken Garner	Board Member
Marlene Phillips	Board Member
Claire Labreche	Board Member
Herb Strather	Board Member
Dave Burns	Board Member
Jim Kondrasuk	Board Member
Marie-Pier Tremblay	President of JOOI