

The following is excerpted from a presentation given to the delegates at the International Convention in Orlando by International Audit & Finance Committee Chair Mike Allen regarding the \$10 dues increase proposal. The delegates later approved the increase effective October 1, 2009.

After much discussion and careful consideration of all factors, the Board of Directors is recommending to you that the international dues be increased by \$10...or, putting it another way, about 2.7 cents a day.

This amount will not only allow your organization to operate in the black next year, but will allow for continued balanced budgets in the next several years to come without significant program or service cuts.

And, it will allow us to begin to rebuild our organization's reserves and escape bankruptcy.

Where is the money going to go?

Our auditors have strenuously stressed that we needed to get our financial house in order -- this included:

- 1) A plan to fund the Pension Plan deficit by 2014/15
- 2) We must rebuild our 4% reserve fund
- 3) We needed to continue to cut expenses where possible, but they also stressed we should take some drastic action to raise revenue
- 4) Reverse assets to liability ratio so as to have our assets once again exceed our liabilities
AND
- 5) develop a comprehensive growth strategy to reverse current net losses in membership through increased membership recruitment and the building of more new Optimist Clubs.

The \$10 dues increase will extend across the board to include regular and life members and when adjusted by tiers will result in approximately 800-plus thousand dollars of revenue.

This is how the expenditure of the revenue breaks down.

- 1) 36.5% (or \$300,000) will go towards funding the pension plan. We are in year two of a 7-year commitment.
- 2) 30.4% (or \$250,000) will satisfy our 4% defined reserve budget amount.
- 3) 18% (\$150,000) will be applied to balance the 2009/2010 budget. This additional amount is now needed to compensate for the 6% decline we are currently experiencing.

We had previously adjusted the 2008-2009 budget for a 3% loss, but with an additional 3% loss that has shifted our revenue out of balance from which to begin the 2009-2010 budget.

If we can lessen the decline from 6% to 5%, or 4% or better, some of this allocation will not be necessary.

Remember, for every loss of 1% in membership we experience, we lose roughly \$50,000 in revenue.

4) 14.6% or (\$120,000) could be used at the discretion of the Board of Directors to one, hire new NCB staff. Two, add back in the governors conference. Three, help fund a comprehensive growth conference to develop new growth strategies and initiatives.

But, the bulk of this remaining revenue will be used to bring us back to a surplus condition where our assets exceed our liabilities, and in order to assist in the avoidance of a "going concern" designation being included in our next audit.

Excess could also be used to balance deficits in the near term.

Friends, we can fund the pension plan.

We can rebuild our reserves.

The stock market will come back and we will get out from under our technically bankrupt position.

But if we don't reverse our net loss trend, this dues increase will only be a temporary stop-gap measure.

Ladies and gentlemen, let me assure you that no member of the Board or of the Finance Committee wanted to come to you today with this proposal. We wish we could balance the budget with what we have. We wish our membership was increasing. But the simple fact is that Optimist International is in a serious financial crisis.

The proposal before you is our only immediate hope of assuring the survival of our organization, in the short term. Our long term survival still rests on restoring positive net growth trends.

Without membership growth we will ultimately be closing our doors in the future and ending the services we provide to hundreds of thousands of kids.

To paraphrase Oliver Wendell Holmes, "The most important thing in the world is not so much where we are, but in what direction we are moving."

Ladies and gentlemen, the direction in which we have been moving for the last almost 20 years has absolutely taken us down the wrong path. The time is now to take a different path.

Either we grow or we die, the choice is yours.

And since we are in the world of Disney, I think it was that famous sage, Jiminy Cricket, who once said, "let your conscience be your guide".