
**OPTIMIST INTERNATIONAL
AND RELATED ORGANIZATION**
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015



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Independent Auditors' Report

Board of Directors
Optimist International
St. Louis, Missouri

Report On The Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Optimist International and Optimist International Youth Programs Foundation (collectively, Optimist), both not-for-profit organizations, which comprise the consolidated statement of financial position as of September 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility For The Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 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, 2015 and 2014, 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.

RubinBrown LLP

January 20, 2016

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	September 30,	
	2015	2014
Assets		
Cash and cash equivalents	\$ 530,298	\$ 523,868
Investments (Note 3)	508,036	592,820
Accounts receivable, net (Notes 4 and 8)	99,045	120,814
Due from Optimist International Foundation (Note 14)	51,475	179,308
Due from Canadian Children's Optimist Foundation (Note 14)	32,953	39,285
Prepaid expenses and other current assets (Note 8)	337,223	338,664
Net pension asset (Note 10)	639,659	577,616
Assets restricted for Board-designated endowment (Note 9)	87,837	—
Assets held for sale (Note 5)	27,990	—
Property and equipment (Notes 5, 6, 7 and 8)	318,073	280,934
Total Assets	\$ 2,632,589	\$ 2,653,309

Liabilities And Net Assets		
Liabilities		
Accounts payable	\$ 160,403	\$ 138,187
Accrued expenses and other liabilities	170,891	203,713
Accrued paid time off	302,318	337,204
Current portion of capital lease obligations (Note 6)	17,782	28,578
Current portion of promissory note payable (Note 7)	29,719	28,273
Due to districts	50,378	43,116
Deferred revenue	29,526	16,218
Long-term portion of capital lease obligations (Note 6)	53,146	13,012
Long-term portion of promissory note payable (Note 7)	528,681	558,401
Total Liabilities	1,342,844	1,366,702
Unrestricted Net Assets		
Undesignated - general	926,773	1,047,263
Board-designated endowment (Note 9)	87,837	—
Net investment in property and equipment	275,135	239,344
Total Unrestricted Net Assets	1,289,745	1,286,607
Total Liabilities And Net Assets	\$ 2,632,589	\$ 2,653,309

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

CONSOLIDATED STATEMENT OF ACTIVITIES

	For The Years Ended September 30,	
	2015	2014
Revenues		
Dues and fees	\$ 3,865,837	\$ 3,956,361
Processing fees	92,283	115,962
Charter fees	25,215	17,009
Life membership fees	71,246	69,901
International convention	273,554	287,507
Youth Programs Foundation revenues (Note 11)	1,427,040	1,094,389
Optimist International Foundation grant revenue (Note 14)	98,098	150,043
Income from sales of supplies (net of cost of supplies sold of \$150 in 2014)	14,418	28,810
Income from royalties	27,346	32,553
Other	223,999	157,549
Total Revenues	6,119,036	5,910,084
Expenses (Note 15)		
Allocated dues to districts	49,039	50,472
Club insurance premiums	559,133	581,494
Growth and member services	556,273	553,694
Club programs	181,740	258,149
Membership development	278,960	315,422
Communication	372,517	380,562
Meeting services	160,225	175,318
International convention	269,139	379,747
Canadian office services	433,075	454,677
Building maintenance	186,181	189,801
Finance, administration, information services and facilities	771,550	764,455
Loss on uncollectible accounts and pledges	38,480	37,831
Executive director department	345,091	338,487
Board and officers	150,311	181,721
Committees	39,610	62,602
Youth Programs Foundation expenses (Note 11)	1,376,508	1,087,070
Depreciation and amortization	85,249	113,271
Interest expense	34,184	30,942
Total Expenses	5,887,265	5,955,715
Excess (Deficiency) Of Revenues Over Expenses	231,771	(45,631)
Loss On Foreign Currency Translation	(152,239)	(61,382)
Pension Plan Changes Other Than Net Periodic Benefit Cost (Note 10)	(76,394)	216,389
Increase In Unrestricted Net Assets	3,138	109,376
Unrestricted Net Assets - Beginning Of Year	1,286,607	1,177,231
Unrestricted Net Assets - End Of Year	\$ 1,289,745	\$ 1,286,607

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

CONSOLIDATED STATEMENT OF CASH FLOWS

	For The Years Ended September 30,	
	2015	2014
Cash Flows From Operating Activities		
Increase in net assets	\$ 3,138	\$ 109,376
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	85,249	113,271
Imputed interest on capital lease obligations	5,492	3,235
Loss on foreign currency translation	152,239	61,382
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	11,295	(12,010)
(Increase) decrease in prepaid expenses and other current assets	(11,248)	36,937
Increase in net pension asset	(62,043)	(489,764)
Increase (decrease) in accounts payable	23,231	(17,307)
Increase (decrease) in accrued expenses and other liabilities	(31,158)	45,795
Decrease in accrued paid time off	(30,828)	(7,388)
Increase (decrease) in in deferred revenue	13,550	(10,459)
Net Cash Provided By (Used In) Operating Activities	158,917	(166,932)
Cash Flows From Investing Activities		
Decrease in due from Optimist International Foundation	127,832	80,917
(Increase) decrease in due from Canadian Children's Optimist Foundation	4,676	(13,850)
Purchases of investments	(87,539)	(272,596)
Purchases of property and equipment	(85,447)	(14,627)
Net Cash Used In Investing Activities	(40,478)	(220,156)
Cash Flows From Financing Activities		
Increase in due to districts	9,273	6,761
Payments on capital lease obligations	(41,154)	(37,651)
Repayments of promissory note payable	(28,274)	(27,815)
Net Cash Used In Financing Activities	(60,155)	(58,705)
Effect Of Exchange Rate Changes On Cash	(51,854)	(41,453)
Net Increase (Decrease) In Cash And Cash Equivalents	6,430	(487,246)
Cash And Cash Equivalents - Beginning Of Year	523,868	1,011,114
Cash And Cash Equivalents - End Of Year	\$ 530,298	\$ 523,868
Supplemental Cash Flow Information		
Interest paid	\$ 28,692	\$ 27,707

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015 And 2013

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 50 administrative districts and 2,462 and 2,503 clubs for the years ended September 30, 2015 and 2014, respectively, are not combined with the accounts of Optimist, since the administrative districts and clubs control their own assets.

Basis Of Accounting

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

Basis Of Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board for not-for-profit organizations by presenting assets and liabilities within similar groups and classifying them in ways that provide relevant information about their interrelationships, liquidity, and financial flexibility. As a result, Optimist is required to report information regarding its financial position and activities according to the following three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As of September 30, 2015 and 2014, Optimist has no temporarily or permanently restricted net assets.

Estimates And Assumptions

The preparation of consolidated 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 consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (*Continued*)

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 of \$250,000 per financial institution and Canada Deposit Insurance Corporation insurance limits of \$100,000 Canadian dollars per financial institution. At September 30, 2015, approximately \$233,000 was uninsured.

Investments And Assets Restricted For Board-Designated Endowment

Investments are reported at fair value based on quoted market prices of major securities exchanges, except for investments in guaranteed investment certificates and certificates of deposit, which are reported at cost plus accrued interest which approximates fair value.

Assets restricted for Board-designated endowment include an interest in investments held by Optimist International Foundation.

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 consolidated 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.

Accounts Receivable

Accounts receivable are stated at the amount that management expects to collect from outstanding balances. Management provides for probable uncollectible 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.

Property And Equipment

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

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (*Continued*)

Optimist reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. No impairment loss has been recognized in 2015 or 2014.

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.

Restricted And Unrestricted Support

Youth Programs 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. Youth Programs reports temporarily restricted contributions as unrestricted in the current year when Youth Programs meets the donor restrictions in the same period as receipt of the contributions.

Foreign Exchange

The accounts held in Canadian funds, primarily cash and cash equivalents, investments, accounts receivable, accounts payable and accrued expenses, are included in the consolidated financial statements after translation at appropriate rates of exchange. Gains or losses resulting from such translation are included in gain (loss) on foreign currency translation on the consolidated statement of activities. Cumulative translation losses were (\$152,239) and (\$61,382) at September 30, 2015 and 2014, respectively.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (*Continued*)

Description Of Program Services And Supporting Activities

The following program services and supporting activities are included in the accompanying financial statements:

Programs - Optimist International is an association which provides operational support to more than 2,500 Optimist Clubs around the world dedicated to “bringing out the best in kids.” Adult volunteers join Optimist Clubs to conduct positive service projects in their communities aimed at providing a helping hand to youth. With their upbeat attitude, Optimist Club members help empower young people to be the best that they can be. Each Optimist Club determines the needs of the young people in its community and conducts programs to meet those needs. Every year, optimists conduct 65,000 service projects and serve well over five million people.

Youth Programs provides educational, cultural, literary, recreational and social benefits to minors through the sponsorship of activities and programs which foster the development of good character and sportsmanship and the education and cultural development of minors, and to prevent and alleviate the cruelty to and abuse of minors.

Volunteer Leadership Expenses - Provides the structure necessary to support volunteers in developing and running community service programs that are dedicated to bringing out the best in kids.

General Management - Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of Optimist’s program strategy; secure proper administrative functioning of the Board of Directors; maintain competent legal services for the program administration of Optimist; provide advertising and marketing support for admissions and special programs; provide membership support; and manage the financial and budgetary responsibilities of Optimist.

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 15 for the functional allocation of expenses by the applicable program services and supporting activities.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements *(Continued)*

Subsequent Events

Management has evaluated subsequent events through January 20, 2016, the date which the consolidated financial statements were available for issue.

Reclassifications

Certain 2014 amounts have been reclassified, where appropriate, to conform to the 2015 presentation.

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).

2. Operations

The purpose of Optimist International is 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.

Optimist is supported primarily by membership dues and fees.

3. Investments And Assets Restricted For Board-Designated Endowment

Investments consist of:

	<u>2015</u>	<u>2014</u>
Guaranteed investment certificate	\$ 431,866	\$ 516,696
Certificates of deposit	76,170	76,124
	<u>\$ 508,036</u>	<u>\$ 592,820</u>

Investments are carried at cost plus accrued interest, which approximates fair value.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (Continued)

Assets restricted for Board-designated endowment are comprised of Optimist's interest in the investments held by Optimist International Foundation. The composition of these investments is a portfolio of mutual funds, including growth funds, growth and income funds, balanced funds, and fixed income funds.

In accordance with generally accepted accounting principles, the major categories of financial assets and liabilities must be measured at fair value on a recurring basis during the years ended September 30, 2015 and 2014 using quoted prices in active markets (Level 1); significant observable inputs for similar assets and liabilities (Level 2); and significant unobservable inputs (Level 3). Investments held by Optimist International Foundation carried at fair value above are measured as Level 1 for fair value purposes.

During 2015 and 2014, there were no changes in the methods and/or assumptions utilized to derive the fair value of Optimist's assets.

4. Accounts Receivable

Accounts receivable consist of:

	<u>2015</u>	<u>2014</u>
Accounts receivable from clubs	\$ 99,190	\$ 76,664
Other receivables	33,695	66,676
Less: Allowance for doubtful accounts	(33,840)	(22,526)
	<u>\$ 99,045</u>	<u>\$ 120,814</u>

5. Property And Equipment And Assets Held For Sale

Property and equipment consist of:

	<u>2015</u>	<u>2014</u>
Land	\$ 158,417	\$ 158,417
Building	—	2,177,708
Furniture and equipment	1,515,278	1,534,205
	<u>1,673,695</u>	<u>3,870,330</u>
Less: Accumulated depreciation and amortization	(1,355,622)	(3,589,396)
	<u>\$ 318,073</u>	<u>\$ 280,934</u>

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (*Continued*)

At September 30, 2015, Optimist held land and building with a carrying value of \$27,990 that were available for sale. These assets were reported as an asset held for sale in the consolidated statement of financial position at September 30, 2015. During 2015, an Agreement of Purchase and Sale was executed with a proposed selling price of approximately \$3,443,000. Subsequent to year end, this Agreement was extended through February 26, 2016.

6. Capital Lease Obligations

Certain leases in which Optimist is the lessee are considered to be equivalent to installment purchases for purposes of accounting presentation. Assets under the capital leases are capitalized using interest rates appropriate at the inception of the leases and amortized over a five-year period. Amortization of the leases is included in depreciation and amortization expense on the consolidated statement of activities. Assets recorded under the capital leases at September 30, 2015 and 2014 are valued at \$95,719 and \$168,891, respectively, less accumulated amortization of \$28,191 and \$138,161, respectively.

Future minimum lease payments related to these leases as of September 30, 2015 are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 26,087
2017	25,721
2018	16,176
2019	16,176
2020	5,392
Total minimum obligations	89,552
Less: Amounts representing interest	13,438
Less: Amounts representing service fees	5,186
Present value of minimum lease payments	70,928
Less: Current portion	17,782
	<u>\$ 53,146</u>

For the years ended September 30, 2015 and 2014, interest expense on the capital lease obligations amounted to \$5,492 and \$3,235, respectively.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (*Continued*)

7. 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 was to be adjusted to equal the U.S. Aggregate Index for a 12-month period as published by Barclays Capital. Beginning January 1, 2014, the terms of the promissory note were modified and the interest rate changed to a fixed rate of 5% per annum. The promissory note does not have a prepayment penalty. As of September 30, 2015 and 2014, the promissory note had an outstanding balance of \$558,400 and \$586,674, respectively.

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

Year	Amount
2016	\$ 29,719
2017	31,240
2018	32,838
2019	34,518
2020	36,284
Thereafter	393,801
	<u>\$ 558,400</u>

For the year ended September 30, 2015 and 2014, interest expense related to the promissory note amounted to \$28,692 and \$27,707, respectively.

8. Line Of Credit

Optimist maintains a line-of-credit agreement with a financial institution. Optimist is permitted to borrow up to \$150,000 on the line of credit. The line of credit bears interest at 2.75%, and terminates on February 8, 2016. As of September 30, 2015 and 2014, no amount 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.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (*Continued*)

9. Board-Designated Endowment Fund

As required by accounting standards, 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's endowment is comprised of funds designated by the Board of Directors to be held in perpetuity. Therefore, all endowment funds are considered unrestricted.

Optimist 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. 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

To satisfy its long-term rate-of-return objectives, Optimist 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). Optimist 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.

Optimist has a policy of appropriating for distribution each year the lesser of five percent (net of fees) of the fund's fair value or 90% of the amount earned by the fund (net of fees) during the previous fiscal year. In establishing this policy, Optimist considered the long-term expected return on its endowments.

At September 30, 2015, Optimist had the following unrestricted endowment funds:

<u>Board-designated endowment funds</u>	<u>\$</u>	<u>87,837</u>
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OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements *(Continued)*

Changes in the endowment fund for the year ended September 30, 2015 are as follows:

Balance - October 1, 2014	\$ —
Transfers to Board-designated endowment	<u>87,837</u>
Balance - September 30, 2015	<u><u>\$ 87,837</u></u>

10. Retirement Plans

Defined Benefit 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, 2014. 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 \$59,400 and \$237,600 in 2015 and 2014, respectively. Benefit accounts were frozen as of September 30, 1997.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements *(Continued)*

The following tables summarize the accumulated benefit obligation, the fair value of plan assets, and the funded status at the measurement dates of September 30, 2015 and 2014, as estimated by the consulting actuary:

	2015		
	Defined Benefit Pension Plan	Supplemental Pension Plan	Total Pension Plans
Change In Benefit Obligation			
Benefit obligation at beginning of year	\$ 2,261,302	\$ 356,993	\$ 2,618,295
Interest cost	123,815	18,199	142,014
Actuarial loss	(113,321)	(37,425)	(150,746)
Benefits paid	(208,501)	(51,365)	(259,866)
Benefit obligation at end of year	2,063,295	286,402	2,349,697
Change In Plan Assets			
Fair value of plan assets at beginning of year	3,195,911	—	3,195,911
Actual return on plan assets	(57,454)	—	(57,454)
Employer contribution	59,400	51,365	110,765
Benefits paid	(208,501)	(51,365)	(259,866)
Fair value of plan assets at end of year	2,989,356	—	2,989,356
Funded status	\$ 926,061	\$ (286,402)	\$ 639,659
2014			
	Defined Benefit Pension Plan	Supplemental Pension Plan	Total Pension Plans
Change In Benefit Obligation			
Benefit obligation at beginning of year	\$ 2,442,467	\$ 373,662	\$ 2,816,129
Interest cost	132,909	19,116	152,025
Actuarial gain (loss)	(59,261)	16,420	(42,841)
Benefits paid	(254,813)	(52,205)	(307,018)
Benefit obligation at end of year	2,261,302	356,993	2,618,295
Change In Plan Assets			
Fair value of plan assets at beginning of year	2,903,981	—	2,903,981
Actual return on plan assets	309,143	—	309,143
Employer contribution	237,600	52,205	289,805
Benefits paid	(254,813)	(52,205)	(307,018)
Fair value of plan assets at end of year	3,195,911	—	3,195,911
Funded status	\$ 934,609	\$ (356,993)	\$ 577,616

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements *(Continued)*

The funded status of the pension plan and the supplemental pension plan has been recorded as an asset on Optimist's consolidated statement of financial position at September 30, 2015 and 2014.

The supplemental pension plan is currently unfunded and will be funded by Optimist as benefits are due to participants. Expected contributions in 2016 are \$43,000.

The following is a summary of the components of net periodic pension cost for the years ended September 30, 2015 and 2014:

	2015		
	Defined Benefit Pension Plan	Supplemental Pension Plan	Total Pension Plans
Interest cost	\$ 123,815	\$ 18,199	\$ 142,014
Expected return on plan assets	(216,154)	—	(216,154)
Net amortization	34,910	11,558	46,468
	<u>\$ (57,429)</u>	<u>\$ 29,757</u>	<u>\$ (27,672)</u>

	2014		
	Defined Benefit Pension Plan	Supplemental Pension Plan	Total Pension Plans
Interest cost	\$ 132,909	\$ 19,116	\$ 152,025
Expected return on plan assets	(194,109)	—	(194,109)
Net amortization	48,523	9,991	58,514
	<u>\$ (12,677)</u>	<u>\$ 29,107</u>	<u>\$ 16,430</u>

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements *(Continued)*

Amounts recognized on the consolidated statement of activities for pension-related changes other than net periodic pension cost consist of the following:

	2015		
	Defined Benefit Pension Plan	Supplemental Pension Plan	Total Pension Plans
Current year actuarial gain (loss)	\$ (160,287)	\$ 37,425	\$ (122,862)
Amortization of actuarial gain	34,910	11,558	46,468
	<u>\$ (125,377)</u>	<u>\$ 48,983</u>	<u>\$ (76,394)</u>
	2014		
	Defined Benefit Pension Plan	Supplemental Pension Plan	Total Pension Plans
Current year actuarial gain (loss)	\$ 174,295	\$ (16,420)	\$ 157,875
Amortization of actuarial gain	48,523	9,991	58,514
	<u>\$ 222,818</u>	<u>\$ (6,429)</u>	<u>\$ 216,389</u>

Six former employees of Optimist International Foundation are also participants in the pension plan. Optimist International Foundation has agreed to fund a pro-rata portion (for the former employees of Optimist International Foundation as a percentage of the total participants in the pension plan) of the contributions made to the plan by Optimist on an annual basis. Pursuant to the terms of the agreement, Optimist International Foundation is only liable for the portion of the annual contribution as calculated by Optimist and does not have any obligation, guaranty or warranty to fund any current or future deficits or shortfalls in the pension plan. Conversely, Optimist International Foundation does not retain any residual rights to receive any excess assets remaining in the pension plan upon liquidation. There were no contributions from Optimist International Foundation in 2015. Contributions from Optimist International Foundation amounted to \$13,196 in 2014.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements *(Continued)*

The following table sets forth the weighted average assumptions used to determine net period pension cost and benefit obligations as of September 30 each year:

	2015		2014	
	Defined Benefit Pension Plan	Supplemental Pension Plan	Defined Benefit Pension Plan	Supplemental Pension Plan
Weighted-average assumptions used to determine benefit obligations at September 30:				
Discount rate:	5.75%	5.50%	5.75%	5.50%
Rate of compensation increase	N/A	N/A	N/A	N/A
Weighted-average assumptions used to determine net periodic benefit costs for years ended September 30:				
Discount rate	5.75%	5.50%	5.75%	5.50%
Expected long-term return on plan assets	7.00%	N/A	7.00%	N/A
Rate of compensation increase	N/A	N/A	N/A	N/A

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 benefits expected to be paid in each year from 2016 through 2020 and thereafter are as follows:

Year	Defined Benefit Pension Plan	Supplemental Pension Plan	Total Pension Plans
2016	\$ 206,000	\$ 43,000	\$ 249,000
2017	202,000	40,000	242,000
2018	199,000	37,000	236,000
2019	199,000	35,000	234,000
2020	190,000	32,000	222,000
2021-2025	821,000	114,000	935,000
	\$ 1,817,000	\$ 301,000	\$ 2,118,000

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (Continued)

Management has estimated, based on actuarial information, that no contribution will be required for the defined benefit pension plan for the year ending September 30, 2016.

At September 30, 2015 and 2014, the asset allocation goal of the defined benefit pension plan assets has been 60% equity securities and 40% fixed income. The assets are to be invested in conservative, well-known vehicles traded on established U.S. exchanges.

The fair value of defined benefit pension plan assets by asset category are as follows:

Asset Category	Fair Value Measurements At September 30, 2015			Total
	Quoted Prices In Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash and cash equivalents	\$ 12,249	\$ —	\$ —	\$ 12,249
Mutual funds:				
Mid-cap value	257,807	—	—	257,807
Mid-cap growth	198,960	—	—	198,960
Large-cap value	674,691	—	—	674,691
Large-cap growth	643,478	—	—	643,478
Large-cap blend	182,754	—	—	182,754
Foreign large-cap blend	185,395	—	—	185,395
Multisector bond	402,021	—	—	402,021
High-yield bond	432,001	—	—	432,001
	<u>\$ 2,989,356</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,989,356</u>

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (*Continued*)

Asset Category	Fair Value Measurements At September 30, 2014			Total
	Quoted Prices In Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash and cash equivalents	\$ 13,614	\$ —	\$ —	\$ 13,614
Mutual funds:				
Mid-cap value	265,690	—	—	265,690
Mid-cap growth	421,138	—	—	421,138
Large-cap value	763,633	—	—	763,633
Large-cap growth	437,656	—	—	437,656
Large-cap blend	196,179	—	—	196,179
Foreign large-cap blend	200,293	—	—	200,293
Multisector bond	431,482	—	—	431,482
High-yield bond	466,226	—	—	466,226
	\$ 3,195,911	\$ —	\$ —	\$ 3,195,911

Defined Contribution Plans

Optimist has established a defined contribution 401(k) plan for its U.S. employees whereby Optimist makes matching contributions of up to 6% of the salary of each eligible employee. Optimist's contribution to the plan amounted to \$75,050 and \$76,926 in 2015 and 2014, respectively.

Effective October 1, 1999, Optimist 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 \$7,851 and \$9,820 in 2015 and 2014, respectively.

11. Youth Programs Foundation

The Youth Programs Foundation was founded in 1996 to provide educational, cultural, recreational and social benefits to minors through the sponsorship of activities and programs, which foster the development of good character and sportsmanship. Youth Programs also seeks to alleviate the cruelty to and abuse of minor.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (Continued)

Activity of Youth Programs consists of the following:

	<u>2015</u>	<u>2014</u>
Golf revenue	\$ 1,213,601	\$ 905,574
Contributions and grants	30,294	10,812
Merchandise sales	24,179	19,838
Junior Optimist, Octagon and Alpha fees	158,966	158,165
<u>Total revenues</u>	<u>1,427,040</u>	<u>1,094,389</u>
Golf course fees	143,235	116,042
Golf tournament	61,940	48,412
Travel	794,808	570,611
Junior Optimist, Octagon and Alpha programs	136,995	157,256
Administrative	239,530	194,749
<u>Total expenses</u>	<u>1,376,508</u>	<u>1,087,070</u>
	<u>\$ 50,532</u>	<u>\$ 7,319</u>

12. Operating Lease

Optimist leases an office in Canada under an operating lease. At September 30, 2015, the future minimum rental payments under this lease are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 27,063
2017	27,063
2018	15,787
	<u>\$ 69,913</u>

Rent expense recognized by Optimist was approximately \$33,000 and \$34,000 for 2015 and 2014, respectively.

13. 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.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (*Continued*)

14. Related Party Transactions

Optimist International Foundation and Canadian Children's Optimist Foundation reimburse Optimist for certain payments of payroll as well as for other administrative charges and services. All such reimbursements are included in the amounts due to Optimist at September 30, 2015 and 2014, which amounted to \$51,475 and \$179,308, respectively, from Optimist International Foundation and \$32,953 and \$39,285, respectively, from the Canadian Children's Optimist Foundation. Additional administrative services are provided without charge.

Optimist International Foundation also provides grants to Optimist for various programs. The grants to Optimist totaled \$98,098 and \$150,043 for the years ended September 30, 2015 and 2014, respectively.

15. Functional Expenses

The following is a detail of expenses by functional classification:

	<u>2015</u>	<u>2014</u>
Programs:		
Allocated dues to districts	\$ 49,039	\$ 50,472
Club insurance premiums	559,133	581,494
Club growth and services	1,289,125	1,304,228
Youth Programs Foundation - direct expenses	1,376,508	1,087,070
Youth Programs Foundation - allocated indirect expenses	47,593	48,254
Club programs	223,382	300,370
Communications and magazine	310,717	325,971
International convention	382,843	518,702
<u>Total programs</u>	<u>4,238,340</u>	<u>4,216,561</u>
Supporting activities:		
Volunteer leadership expenses	610,594	692,621
General management	1,038,331	1,046,533
<u>Total supporting activities</u>	<u>1,648,925</u>	<u>1,739,154</u>
	<u>\$ 5,887,265</u>	<u>\$ 5,955,715</u>

16. 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, 2015.

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, 2015, no such cancellations are expected.

17. 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 Optimist, 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 consolidated statement of activities.

18. Employment Agreement

Optimist has executed an employment agreement with a key officer. The terms of the agreement run through September 30, 2019, and include provisions regarding compensation, benefits and effects of termination.

Independent Auditors' Report On Supplementary Information

Board of Directors
Optimist International
St. Louis, Missouri

We have audited the consolidated financial statements of Optimist International and Optimist International Youth Programs Foundation (collectively, Optimist) as of and for the years ended September 30, 2015 and 2014, and our report thereon dated January 20, 2016, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying schedules of consolidated revenues, expenditures, and comparison with budget and changes in membership and officers and directors, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

RubinBrown LLP

January 20, 2016

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

SCHEDULE OF CONSOLIDATED REVENUES, EXPENDITURES AND COMPARISON WITH BUDGET For The Years Ended September 30, 2015 And 2014

	2015			2014		
	Actual	Budget	Favorable (Unfavorable)	Actual	Budget	Favorable (Unfavorable)
Revenues						
Dues and fees	\$ 3,865,837	\$ 3,860,500	\$ 5,337	\$ 3,956,361	\$ 3,995,651	\$ (39,290)
Processing fees	92,283	90,000	2,283	115,962	130,000	(14,038)
Charter fees	25,215	33,000	(7,785)	17,009	30,000	(12,991)
Life membership fees	71,246	80,000	(8,754)	69,901	85,000	(15,099)
International convention	273,554	302,815	(29,261)	287,507	259,815	27,692
Youth Programs Foundation revenues	1,427,040	1,328,618	98,422	1,094,389	1,247,813	(153,424)
Optimist International Foundation grant revenue	98,098	309,676	(211,578)	150,043	284,703	(134,660)
Income from sales of supplies, less cost of supplies sold	14,418	13,000	1,418	28,810	32,000	(3,190)
Income from royalties	27,346	36,500	(9,154)	32,553	39,000	(6,447)
Other	223,999	153,000	70,999	157,549	104,232	53,317
Total Revenues	6,119,036	6,207,109	(88,073)	5,910,084	6,208,214	(298,130)
Expenditures						
Allocated dues to districts	49,039	43,000	(6,039)	50,472	57,000	6,528
Club insurance premiums	559,133	588,000	28,867	581,494	580,000	(1,494)
Growth and member services	556,273	585,270	28,997	553,694	603,477	49,783
Club programs	181,740	362,446	180,706	258,149	373,712	115,563
Membership development	278,960	302,162	23,202	315,422	327,218	11,796
Communication	372,517	357,914	(14,603)	380,562	404,016	23,454
Meeting services	160,225	179,604	19,379	175,318	177,521	2,203
International convention	269,139	326,912	57,773	379,747	294,309	(85,438)
Canadian office services	433,075	455,000	21,925	454,677	493,331	38,654
Building maintenance	186,181	166,340	(19,841)	189,801	181,362	(8,439)
Finance, administration, information services and facilities	799,222	787,169	(12,053)	761,221	751,627	(9,594)
Loss on uncollectible accounts and pledges	38,480	35,000	(3,480)	37,831	30,000	(7,831)
Executive director department	345,091	305,919	(39,172)	338,487	346,444	7,957
Board and officers	150,311	160,850	10,539	181,721	171,150	(10,571)
Committees	39,610	74,235	34,625	62,602	55,470	(7,132)
Youth Programs Foundation expenses	1,376,508	1,307,849	(68,659)	1,087,070	1,221,247	134,177
Capital improvements	85,447	72,000	(13,447)	14,627	90,000	75,373
Interest expense	34,184	38,551	4,367	30,942	28,917	(2,025)
Pension contributions	110,765	52,000	(58,765)	289,805	200,000	(89,805)
Total Expenditures	6,025,900	6,200,221	174,321	6,143,642	6,386,801	243,159
Loss On Foreign Currency Translation	(152,239)	(50,000)	(102,239)	(61,382)	—	(61,382)
Deficiency Of Revenues Over Expenditures	\$ (59,103)	\$ (43,112)	\$ (15,991)	\$ (294,940)	\$ (178,587)	\$ (116,353)

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

SCHEDULE OF CHANGES IN MEMBERSHIP AND OFFICERS AND DIRECTORS

For The Year Ended September 30, 2015

	Member Clubs	Members
Membership, September 30, 2014	2,503	71,143
New clubs and members	66	10,984
Less: Discontinued clubs and members	107	11,336
Membership, September 30, 2015	2,462	70,791

Officers and Directors - 2015-16:

Optimist International

Dave Bruns	President
Jim Kondrasuk	President - Elect
Ken Garner	Immediate Past President
Judy Boyd	Board Member
Rebecca Butler Mona	Board Member
Sue Creswell	Board Member
Adrian Elcock	Board Member
Marc Katz	Board Member
James Oliver	Board Member
Logan Clemente	President of JOOI (non-voting)
Benny Ellerbe	Executive Director (non-voting)
Edwin Finn	President of Optimist International Foundation (non-voting)
Yves Berthiaume	President of Canadian Children's Optimist Foundation (non-voting)

Optimist International Youth Programs Foundation

Marc Katz	Chairman
Dave Bruns	Board Member
Jim Kondrasuk	Board Member
Ken Garner	Board Member
Judy Boyd	Board Member
Rebecca Butler Mona	Board Member
Sue Creswell	Board Member
Adrian Elcock	Board Member
James Oliver	Board Member
Ronald Graves	Board Member
Sandy Cyphers	Board Member
William H. Teague	Board Member
Benny Ellerbe	Board Member
Connie Pellock	Executive Director (non-voting)
Edwin Finn	President of Optimist Internationa Foundation (non-voting)
Yves Berthiaume	President of Canadian Children's Optimist Foundation (non-voting)

Officers and Directors - 2014-15:

Optimist International

Ken Garner	President
Dave Bruns	President - Elect
Ron Huxley	Immediate Past President
Marlene Phillips	Board Member
Rick Quinlan	Board Member
Marc Katz	Board Member
James Oliver	Board Member
Judy Boyd	Board Member
Sue Creswell	Board Member
Javanni Waugh	President of JOOI (non-voting)
Benny Ellerbe	Executive Director (non-voting)

Optimist International Youth Programs Foundation

Michael Goldman	Chairman
Jean-Claude St-Onge	Board Member
Ron Huxley	Board Member
Ken Garner	Board Member
Paul Lucas	Board Member
Marlene Phillips	Board Member
Rick Quinlan	Board Member
Marc Katz	Board Member
James Oliver	Board Member
Patsy Garner	Board Member
Bob McFadyen	Board Member
Don Brose	Board Member
Dennis Osterwisch	Executive Director (non-voting)