

**REPORT TO THE
OPTIMIST INTERNATIONAL
BOARD OF DIRECTORS
BY THE
INTERNATIONAL AUDIT AND FINANCE COMMITTEE**

**December 10, 2010
St. Louis, Missouri**

SECTION I: REQUESTS FOR BOARD ACTION

A. ACCEPTANCE OF AUDITOR'S REPORT

Rationale: The Audit and Finance Committee reviewed the draft report and recommendations of the auditors followed by an executive session with the auditors. The Committee has accepted the auditors' report. The Board is requested to adopt the following motion:

Motion Requested:

That the Board of Directors hereby adopts the audit report for the fiscal year 2009-2010 as presented by Rubin Brown, LLP-CPA's.

B. APPOINTMENT OF AUDITORS

Rationale: The Committee, after reviewing the audit reports and with discussion with management, recommends that the firm of Rubin Brown, LLP-CPA's be appointed as auditors for the 2010-2011 fiscal year.

Motion Requested:

That the Board of Directors hereby appoints Rubin Brown, LLP-CPA's as the auditors for the 2010-2011 fiscal year.

C. REAFFIRMATION OF BOARD FISCAL RESPONSIBILITY

Rationale: The Committee discussed the problems caused by failure to adhere to the requirement of following fiscal responsibility as mandated by Policy I-70, Paragraph C as outlined in the motion below. The Committee asks the Board to formally adopt the motion as requested.

Motion Requested:

That the Board of Directors reaffirm Policy I-70 Paragraph C as noted in the policy below:

- C. Once the Board of Directors establishes the committees for the following year, each committee shall receive a charge letter from the President Designate and other duties as directed by the Board of Directors. Each committee shall annually adopt and/or review operating guidelines which shall include fiscal responsibility as below:

All requests which require the expenditure of funds must be accompanied by the following:

1. Statement of Purpose
2. Statement of expectations in measurable terms
3. Statement of expected time frame to implement
4. Statement of expected time frame to realize identifiable results
5. Inclusion of an instrument for measuring expectations vs. results
6. Initial cost, budget, underlying assumptions and funding schedule with pay-out time.
7. All proposed NEW programs shall be reviewed by the Executive Director and the International Audit and Finance Committee Chairman prior to approval to determine the fiscal impact.
8. That as a matter of policy, the International Board of Directors requires that all proposals with a financial impact, regardless of the source of the request, will be referred to the International Audit and Finance Committee to determine the financial impact. The Optimist International Board of Directors will not consider such proposals until it has received a report from the International Audit and Finance Committee as to the expected financial impact.

The above policy shall be submitted for reaffirmation every year at the first meeting of the Board of Directors.

D. REVISION OF BOARD POLICY I-70; Fiscal Impact Form

Rationale: In light of the motion offered above and the fact that the Board of Directors should be adamant about the fiscal impact of any proposal offered, the Committee has adopted a form to be added to Policy I-70 and is requesting that this form to attached to any proposal to be considered by the Board.

Motion Requested:

That the Board of Directors adopt the form as offered in Exhibit D as part of Board Policy I-70 and require that this form be attached to any proposal with a fiscal impact to be considered by the Board of Directors.

E. REVISION OF BOARD POLICY I-70; OIJGC Committee

Rationale: As the initial structure for the OIJGC has been established, the Committee feels that the phrase included in the Policy can be eliminated.

Motion Requested:

That the Board of Directors approves a revision to Policy I-70 as stated below:

F. The Junior Golf Committee shall consist of four (4) members. ~~The initial appointments (FY 2009-10) will be: one member for a three year term; one member for a two year term; and two members for a one year term. In future years~~ The International President will appoint a member for a three year term and one member for a one year term. The chair can be selected from the new appointments or from the sitting members. Current members whose term has ended can be reappointed.

F. 2010-2011 BUDGET

Rationale: The Audit and Finance Committee reviewed the fiscal year 2010-2011 budget. (See Exhibit F). There are proposed changes to the budget.

Motion Requested:

That the Board of Directors approve the changes to the fiscal year 2010-2011 budget as presented.

G. MASTER SCHEDULE OF DUES AND FEES

Rationale: The Committee reviewed the Master Schedule of Dues and Fees (See Exhibit G). The Committee recommends no changes for this year.

Motion Requested:

That the Board of Directors adopt the Master Schedule of Dues and Fees as presented in Exhibit G for the Fiscal Year 2010-2011.

H. POLICY I-18; Travel Chart

Rationale: The Committee reviewed the Policy I-18 Travel Chart and requests two changes: To delete a typographical error on Line 18 as "IMM" should not be there as this pertains all Past Presidents. And to revise the Staff Per Diem from \$50 to \$65 to cover the increased cost of meals during convention.

Motion Requested:

That the Board of Directors amends Board Policy I-18 Travel Chart as presented in Exhibit H.

I. BUDGET ASSUMPTIONS FOR THE 2011-2012 FISCAL YEAR

Rationale: The Committee along with the President-Elect reviewed past years history to determine the budget assumptions for the 2011-2012 Fiscal Year.

Motion Requested:

That the Board of Directors approves a two percent decline in Membership and the building of 75 new Clubs as the budget assumptions for the 2011-2012 fiscal year.

SECTION II: FOR BOARD INFORMATION

AA. LEADERSHIP DEVELOPMENT COMMITTEE REQUEST FOR A TUTORIAL

The Audit & Finance Committee suggests that the proposal be referred back to the LD and Marketing Committees for a more fleshed out proposal with the possibility of Foundation funding.

BB. LEADERSHIP DEVELOPMENT COMMITTEE REQUEST FOR A SECOND MEETING

This Committee recommends that this request for additional meeting be denied and suggest the committee use teleconference or SKYPE.

CC. 2009-2010 OIJGC COMMITTEE REQUEST

The 2009-2010 OIJGC Committee has asked that some additional costs be incurred to develop a commission system to bring in corporate sponsorships to the OIJGC tournament. The Audit and Finance Committee agrees with this proposal but feels that any member should be entitled to a commission and that the commission should be a flat 10%.

DD. 2010-2011 OIJGC COMMITTEE REQUEST FOR ADDITIONAL MEETING

The 2009-2010 OIJGC is requested funds to hold another meeting each year. This committee is requesting the Board of Directors to deny this request and ask the committee to meet via teleconference if a meeting is warranted.

EE. 2010-2011 OIJGC COMMITTEE REQUEST FOR A PROMOTIONAL VIDEO

The committee viewed and discussed the current promotional videos directed at membership and to corporate sponsors. It was suggested that the videos can be updated by simply editing the current videos.

FF. CONVENTION COMMITTEE REQUEST REGARDING SURPLUS

The Convention Committee is requesting that the surplus it made from last year's Convention be designated solely to the next convention. The Audit & Finance Committee notes that most times the convention does not make a profit and that any surplus should go into the general fund. Staff will compile a 10-12 year history of surplus versus deficit report and present it at the committee's February meeting. It was also noted that the books from last year are closed making this request not valid. This committee asks the Board to therefore, deny this request.

GG. ACTIVITIES COMMITTEE REQUEST TO BRING ESSAY CONTEST WINNER TO CONVENTION

The Activities Committee will be requesting an increase in their budget of \$3000 to pay for bringing the Essay contestant winner to the International Convention along with a parent, guardian or chaperone, with costs to include travel, meals and lodging. The Audit & Finance Committee strongly feels that the sponsor club could be asked to videotape the contestant reading his or her essay and that it be shown at the convention. While we used to do this in the past, the last time OI paid for the winner to attend the Convention was in 2003. Last year the winner attended the Convention, but it was funded by the winner's District. This is a nice thing we have done in the past, but because the benefit in relation to the cost is so small the Committee feels it is not fiscally responsible. This Committee is unanimous that the Board of Directors not approve this request to increase the Activities budget by \$3000 for bringing the Essay winner and parents to the International Convention.

HH. PROPOSED BYLAWS AMENDMENT – Military Reduction of Dues

The Committee agreed that while this proposal has merit, a Club is already free to reduce dues or pay dues for any of its members. This issue should be a Club decision and all Clubs should be encouraged to offer this reduction in dues. As it would be impossible to police or determine the financial impact the committee feels no further action should be taken on this amendment proposal.

II. PROPOSED BYLAWS AMENDMENT – Annual Dues Billing for Clubs on 120 List

The Committee will discuss this proposal in further detail at its February meeting and bring a recommendation to the Board at that time.

JJ. PROPOSAL FOR SECOND YEAR CLUB EXEMPTION OF DUES

The Committee reviewed a draft proposal by Board Member Fatima Plater. As the proposal will have a significant fiscal impact, the Audit & Finance Committee requests that this proposal be denied.

KK. CHARLES JORDAN PLAN

The Charles Jordon Group has made several recommendations that the Board of Directors will be asked to consider. The Audit & Finance Committee took the liberty of addressing any item that would affect the budgeting process. Four items were discussed:

1. \$5K for CCC Walk. For either this year or next year, this could be a Foundation funded item. President-Elect Creswell stated this would not interfere with the plans for his year.
2. Tutorial for Membership. The Audit & Finance Committee feels this item's discussion should be tabled until further review by the Membership Committee.
3. International Honors Program. The Audit & Finance Committee strongly feels that an Honor Program should be developed to benefit Clubs and Members not the International organization.

4. Additional Marketing Staff. This committee request that the Board of Directors deny this request as there is no funding for this position.

LL. INSURANCE ADMINISTRATOR'S REPORT TO THE COMMITTEE

Gail Farrett of Marsh Affinity Group Services addressed the Audit & Finance Committee. Benny Ellerbe asked that the Travel Accident Policy be reviewed and that a D&O policy for Clubs be explored.

Respectfully Submitted by,

J. Michael Allen, International Audit and Finance Committee, Chairman
Ron Huxley, International Audit and Finance Committee
Samuel J. Keiffer III, International Audit and Finance Committee
Guy Templin, International Audit and Finance Committee
David Chavez, International Audit and Finance Committee

Exhibits:

Exhibit D – Policy I-70 Form

Exhibit F – Budget

Exhibit G – Master Schedule of Dues and Fees

Exhibit H – Policy I-18 – Travel Chart