
**OPTIMIST INTERNATIONAL
AND RELATED ORGANIZATION**
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021



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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, 2021 and 2020, and the related consolidated statements of activities, functional expenses 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 consolidated financial position of Optimist International and Optimist International Youth Programs Foundation as of September 30, 2021 and 2020, and the changes in their net assets, functional expense and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis Of Matter

As discussed in Note 2 to the consolidated financial statements, effective October 1, 2019, Optimist International and Optimist International Youth Programs Foundation adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*. Our opinion is not modified with respect to this matter.

RubinBrown LLP

January 7, 2022

**OPTIMIST INTERNATIONAL
AND RELATED ORGANIZATION**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| Assets | September 30, | |
|--|---------------------|---------------------|
| | 2021 | 2020 |
| Cash and cash equivalents | \$ 582,760 | \$ 662,294 |
| Investments, carried at cost (Note 3) | 1,436,912 | 1,085,661 |
| Accounts receivable, net (Notes 4 and 8) | 99,004 | 137,832 |
| Due from related parties (Note 14) | 76,363 | 66,005 |
| Prepaid expenses and other current assets (Note 8) | 217,734 | 295,279 |
| Mineral rights asset, net (Note 2) | 62,156 | 67,031 |
| Net pension asset (Note 10) | 1,585,942 | 945,011 |
| Assets restricted for Board-designated endowment (Notes 3 and 9) | 132,109 | 118,563 |
| Property held for sale (Note 2) | 197,756 | 197,756 |
| Property and equipment, net (Notes 5, 6, 7 and 8) | 43,073 | 55,707 |
| Total Assets | \$ 4,433,809 | \$ 3,631,139 |

Liabilities And Net Assets

| | | |
|---|---------------------|---------------------|
| Liabilities | | |
| Accounts payable | \$ 72,039 | \$ 62,393 |
| Accrued expenses and other liabilities | 175,975 | 130,053 |
| Accrued paid time off | 192,910 | 179,414 |
| Current portion of capital lease obligations (Note 6) | 18,532 | 17,586 |
| Current portion of debt (Note 7) | 40,092 | 112,426 |
| Due to districts and clubs | 87,063 | 77,337 |
| Deferred revenue | 46,180 | 75,309 |
| Long-term portion of capital lease obligations (Note 6) | 19,528 | 38,060 |
| Long-term portion of debt (Note 7) | 315,567 | 672,469 |
| Total Liabilities | 967,886 | 1,365,047 |
| Net Assets Without Donor Restrictions | | |
| Undesignated - general | 3,131,045 | 1,949,712 |
| Board-designated endowment (Note 9) | 132,109 | 118,563 |
| Net investment in property and equipment | 202,769 | 197,817 |
| Total Net Assets Without Donor Restrictions | 3,465,923 | 2,266,092 |
| Total Liabilities And Net Assets | \$ 4,433,809 | \$ 3,631,139 |

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

CONSOLIDATED STATEMENT OF ACTIVITIES

| | For The Years Ended September 30, | |
|--|--------------------------------------|---------------------|
| | 2021 | 2020 |
| Revenues And Public Support | | |
| Dues and fees | \$ 3,175,340 | \$ 3,494,140 |
| Charter fees | 33,105 | 19,757 |
| Life membership fees | 39,308 | 29,725 |
| JOI fees | 191,367 | 103,811 |
| International convention | 196,510 | 64,979 |
| Youth Programs Foundation revenues (Note 11) | 1,178,579 | 79,472 |
| Grant revenue (Note 14) | 99,129 | 96,094 |
| Income from sales of supplies | 12,083 | 12,197 |
| Income from royalties | 16,590 | 20,928 |
| Other | 112,350 | 205,189 |
| Total Revenues And Public Support | 5,054,361 | 4,126,292 |
| Expenses | | |
| Allocated dues to districts | 36,723 | 39,438 |
| Club insurance premiums | 580,182 | 512,743 |
| Growth and member services | 281,813 | 323,895 |
| Club programs | 50,795 | 70,178 |
| Membership development | 274,492 | 271,730 |
| Communication | 202,092 | 242,430 |
| Meeting services | 154,015 | 148,233 |
| International convention | 225,042 | 81,902 |
| Canadian office services | 297,498 | 410,358 |
| Building maintenance | 233,240 | 250,958 |
| Finance, administration, information services and facilities | 987,191 | 904,559 |
| Loss on uncollectible accounts receivable | 109,736 | 74,408 |
| Executive director department | 305,714 | 292,961 |
| Board and officers | 79,334 | 103,436 |
| Committees | 64,870 | 23,117 |
| JOI program | 123,828 | 93,360 |
| Youth Programs Foundation expenses (Note 11) | 1,018,101 | 190,853 |
| Depreciation, amortization and depletion (Notes 2 and 5) | 25,122 | 38,410 |
| Interest expense (Notes 6 and 7) | 21,326 | 25,480 |
| Total Expenses | 5,071,114 | 4,098,449 |
| Excess (Deficiency) Of Revenues And Public Support Over Expenses | (16,753) | 27,843 |
| Gain (Loss) On Foreign Currency Translation (Note 2) | 60,640 | (9,301) |
| Forgiveness Of Paycheck Protection Program Loan - Gain On Extinguishment (Note 7) | 391,095 | — |
| Other Income (Note 15) | 210,760 | 750,000 |
| Other Expenses (Notes 7 And 15) | (54,906) | (371,087) |
| Other Components Of Net Periodic Pension Cost (Note 10) | 90,300 | 55,649 |
| Pension Plan Changes Other Than Net Periodic Benefit Cost (Note 10) | 518,695 | (54,910) |
| Increase In Net Assets | 1,199,831 | 398,194 |
| Net Assets - Beginning Of Year | 2,266,092 | 1,867,898 |
| Net Assets - End Of Year | \$ 3,465,923 | \$ 2,266,092 |

**OPTIMIST INTERNATIONAL
AND RELATED ORGANIZATION**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended September 30, 2021**

| | Program Services | | | | | General Management | Membership Development | Total |
|--|------------------|-------------------|----------------------------|------------|--------------|-----------------------|---------------------------|--------------|
| | Club Programs | Youth Programs | Education And Community | Meetings | Total | | | |
| Salaries and wages | \$ 346,255 | \$ 79,683 | \$ 375,455 | \$ 175,422 | \$ 976,815 | \$ 680,865 | \$ 112,358 | \$ 1,770,038 |
| Payroll taxes and employee benefits | 75,396 | 17,591 | 79,823 | 39,043 | 211,853 | 211,014 | 26,316 | 449,183 |
| Total salaries and related expenses | 421,651 | 97,274 | 455,278 | 214,465 | 1,188,668 | 891,879 | 138,674 | 2,219,221 |
| Awards | 22,244 | 10,374 | — | — | 32,618 | — | 4,237 | 36,855 |
| Bad debt expense | — | — | — | — | — | 109,736 | — | 109,736 |
| Bank/credit card fees | 21,023 | 35,951 | 120 | 11,564 | 68,658 | 17,134 | — | 85,792 |
| Canadian taxes | 281 | — | 3 | 151 | 435 | 10,597 | 153 | 11,185 |
| Conferences, conventions and meetings | — | — | 18,170 | 230,587 | 248,757 | 5,519 | 606 | 254,882 |
| Depreciation, amortization and depletion | 6,607 | — | 6,406 | 1,809 | 14,822 | 8,567 | 1,733 | 25,122 |
| Dues to districts/friends | 81,858 | — | — | — | 81,858 | — | — | 81,858 |
| Golf tournament expenses | — | 52,905 | — | — | 52,905 | 1,807 | — | 54,712 |
| Information technology | — | — | 15,657 | — | 15,657 | 65,271 | — | 80,928 |
| Insurance | 546,553 | — | — | — | 546,553 | 33,629 | — | 580,182 |
| Interest | — | — | — | — | — | 21,326 | — | 21,326 |
| Occupancy | 40,026 | — | 38,809 | 10,958 | 89,793 | 51,897 | 10,501 | 152,191 |
| Postage/shipping | 17,834 | 3,274 | 35,657 | 7,553 | 64,318 | 6,242 | 3,289 | 73,849 |
| Printing | 16,608 | 11,083 | 21,095 | 2,026 | 50,812 | 30,969 | 3,618 | 85,399 |
| Professional fees | — | — | — | — | — | 129,553 | — | 129,553 |
| Supplies, office and other expenses | 55,312 | 3,950 | 3,068 | 1,095 | 63,425 | 2,959 | 248 | 66,632 |
| Telephone | 7,750 | 3,047 | 9,363 | 3,764 | 23,924 | 17,573 | 2,953 | 44,450 |
| Travel - Junior Golf | — | 774,804 | — | — | 774,804 | 10,451 | — | 785,255 |
| Travel | 43,134 | — | 10,148 | 78,886 | 132,168 | 16,226 | 23,592 | 171,986 |
| | \$ 1,280,881 | \$ 992,662 | \$ 613,774 | \$ 562,858 | \$ 3,450,175 | \$ 1,431,335 | \$ 189,604 | \$ 5,071,114 |

**OPTIMIST INTERNATIONAL
AND RELATED ORGANIZATION**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended September 30, 2020**

| | Program Services | | | | | Total | General Management | Membership Development | Total |
|--|------------------|----------------|-------------------------|------------|--------------|--------------|--------------------|------------------------|-------|
| | Club Programs | Youth Programs | Education And Community | Meetings | Total | | | | |
| Salaries and wages | \$ 383,135 | \$ 89,725 | \$ 401,998 | \$ 166,357 | \$ 1,041,215 | \$ 699,499 | \$ 101,517 | \$ 1,842,231 | |
| Payroll taxes and employee benefits | 78,888 | 21,909 | 85,304 | 37,774 | 223,875 | 200,205 | 23,970 | 448,050 | |
| Total salaries and related expenses | 462,023 | 111,634 | 487,302 | 204,131 | 1,265,090 | 899,704 | 125,487 | 2,290,281 | |
| Awards | 7,648 | 7,757 | — | — | 15,405 | — | 1,679 | 17,084 | |
| Bad debt expense | — | — | — | — | — | 74,408 | — | 74,408 | |
| Bank/credit card fees | 21,239 | — | 40 | 3,836 | 25,115 | 19,171 | — | 44,286 | |
| Canadian taxes | 1,100 | — | 345 | 77 | 1,522 | 13,659 | 115 | 15,296 | |
| Conferences, conventions and meetings | 110 | — | 5,425 | 83,711 | 89,246 | 7,618 | 1,212 | 98,076 | |
| Depreciation, amortization and depletion | 11,920 | — | 8,656 | 2,316 | 22,892 | 13,137 | 2,381 | 38,410 | |
| Dues to districts/friends | 85,325 | — | — | — | 85,325 | — | — | 85,325 | |
| Golf tournament expenses | — | 2,854 | — | — | 2,854 | 2,212 | — | 5,066 | |
| Information technology | — | — | 16,356 | — | 16,356 | 59,534 | — | 75,890 | |
| Insurance | 477,943 | — | — | — | 477,943 | 34,800 | — | 512,743 | |
| Interest | — | — | — | — | — | 25,480 | — | 25,480 | |
| Legal settlement costs | — | — | — | — | — | 371,087 | — | 371,087 | |
| Occupancy | 49,604 | — | 39,137 | 9,868 | 98,609 | 55,928 | 8,994 | 163,531 | |
| Postage/shipping | 27,641 | 1,003 | 59,297 | 6,889 | 94,830 | 4,750 | 1,499 | 101,079 | |
| Printing | 21,696 | — | 37,773 | — | 59,469 | 37,495 | 3,989 | 100,953 | |
| Professional fees | — | — | — | — | — | 91,008 | — | 91,008 | |
| Supplies, office and other expenses | 1,355 | 1,883 | 51,168 | 1,364 | 55,770 | 3,716 | 107 | 59,593 | |
| Telephone | 8,688 | 2,873 | 8,352 | 3,499 | 23,412 | 19,238 | 2,424 | 45,074 | |
| Travel - Junior Golf | — | 37,311 | — | — | 37,311 | 8,441 | — | 45,752 | |
| Travel | 17,301 | — | 8,350 | 58,044 | 83,695 | 96,623 | 28,796 | 209,114 | |
| | \$ 1,193,593 | \$ 165,315 | \$ 722,201 | \$ 373,735 | \$ 2,454,844 | \$ 1,838,009 | \$ 176,683 | \$ 4,469,536 | |

**OPTIMIST INTERNATIONAL
AND RELATED ORGANIZATION**

CONSOLIDATED STATEMENT OF CASH FLOWS

| | For The Years Ended September 30, | |
|--|--------------------------------------|-------------------|
| | 2021 | 2020 |
| Cash Flows From Operating Activities | | |
| Increase in net assets | \$ 1,199,831 | \$ 398,194 |
| Adjustments to reconcile increase in net assets to net cash from operating activities: | | |
| Depreciation, amortization and depletion | 25,122 | 38,410 |
| Imputed interest on capital lease obligations | 2,502 | 3,499 |
| (Gain) loss on foreign currency translation | (60,640) | 9,301 |
| Loss on disposal of property and equipment | 392 | — |
| Forgiveness of Paycheck Protection Program loan - gain on extinguishment | (391,095) | — |
| Changes in assets and liabilities: | | |
| Accounts receivable | 41,687 | 116,306 |
| Prepaid expenses and other current assets | 80,651 | 12,576 |
| Net pension asset | (640,931) | (32,755) |
| Accounts payable | 9,645 | (92,511) |
| Accrued expenses and other liabilities | 45,723 | (8,534) |
| Accrued paid time off | 11,507 | (76,088) |
| Deferred revenue | (29,668) | 18,865 |
| Net Cash Provided By Operating Activities | 294,726 | 387,263 |
| Cash Flows From Investing Activities | | |
| Increase in due from related parties | (10,358) | (38,721) |
| Proceeds from sale or maturity of investments | 964,565 | 690,328 |
| Purchases of investments | (1,273,935) | (1,369,000) |
| Purchases of property and equipment | (8,005) | (9,491) |
| Net Cash Used In Investing Activities | (327,733) | (726,884) |
| Cash Flows From Financing Activities | | |
| Increase in due to districts | 9,092 | 6,693 |
| Payments on capital lease obligations | (20,088) | (25,480) |
| Proceeds from Paycheck Protection Program loan | — | 391,095 |
| Repayments of promissory notes payable | (38,141) | (36,284) |
| Borrowings on line of credit | — | 150,000 |
| Repayments on line of credit | — | (150,000) |
| Net Cash Provided By (Used In) Financing Activities | (49,137) | 336,024 |
| Effect Of Exchange Rate Changes On Cash | 2,610 | (3,117) |
| Net Decrease In Cash And Cash Equivalents | (79,534) | (6,714) |
| Cash And Cash Equivalents - Beginning Of Year | 662,294 | 669,008 |
| Cash And Cash Equivalents - End Of Year | \$ 582,760 | \$ 662,294 |
| Supplemental Cash Flow Information | | |
| Interest paid | \$ 18,824 | \$ 21,981 |

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS September 30, 2021 And 2020

1. 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 International Youth Programs Foundation was incorporated during fiscal year 1996 to sponsor activities and programs which foster the development of minors.

Optimist International and Optimist International Youth Programs Foundation (collectively, Optimist) is supported primarily by membership dues and fees.

2. 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). 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 and 47 administrative districts and 2,135 and 2,193 clubs for the years ended September 30, 2021 and 2020, 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

Optimist follows accounting standards set by the Financial Accounting Standards Board (FASB). Financial statements of not-for-profit organizations measure net assets and net asset activity based on the absence or existence of donor imposed restrictions. Net assets are reported as without donor restrictions and with donor restrictions. Optimist does not have any net assets with donor restrictions at September 30, 2021 or 2020.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (*Continued*)

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.

Operating And Nonoperating Activity

Operating results in the consolidated statement of activities reflect all transactions except foreign currency translation adjustments, pension plan adjustments, and nonrecurring revenues and expenses.

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, 2021, approximately \$478,000 is 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.

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.

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.

**OPTIMIST INTERNATIONAL
AND RELATED ORGANIZATION**

Notes To Consolidated Financial Statements (*Continued*)

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.

Mineral Rights Asset

Optimist received a donation of mineral rights below the surface of 13 acres of land in Midland, TX. The mineral rights have been valued at \$7,500 per acre, for a total value of \$97,500. These mineral rights are being depleted over an estimated extraction period of 20 years using a straight-line method. Depletion expense amounted to \$4,875 in both 2021 and 2020. Accumulated depletion on these mineral rights was \$35,344 and \$30,469 at September 30, 2021 and 2020, respectively.

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 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 2021 or 2020.

Property Held For Sale

Property held for sale includes land and building that Optimist utilizes in operations, but was available for sale at September 30, 2021 and 2020. This property is stated at cost, including improvements, less accumulated depreciation through the date the property was available for sale.

During 2021, Optimist entered into an agreement for the purchase of Optimist's property held for sale, which is subject to several contingencies.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (*Continued*)

Forgivable Note Payable

Optimist International received a loan that was part of the Paycheck Protection Program (PPP) established under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and administered by the U.S. Small Business Administration (SBA). In accordance with the requirements of the CARES Act, Optimist International used the proceeds from the loan exclusively for qualified expenses under the PPP, including payroll, rent and utility costs, as further detailed in the CARES Act and applicable guidance issued by the SBA. Optimist International considered the PPP loan to be debt, subject to the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 470, *Debt*. Optimist International did not impute additional interest at a market rate as transactions where interest rates are prescribed by governmental agencies are not subject to the accounting guidance on imputing interest.

The loan remained recorded as a liability until either (1) the loan was, in part or wholly, forgiven and Optimist International was legally released or (2) Optimist International paid off the loan. Once the loan was, in part or wholly, forgiven and legal release was received, Optimist International reduced the liability by the amount forgiven and recorded a gain on extinguishment.

New Accounting Standard Implemented

Effective October 1, 2019, Optimist adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606), as amended. ASC 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASC 606 outlines a five-step process for revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards, and also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenues and cash flows from contracts with customers. Major provisions include determining which goods and services are distinct and represent separate performance obligations, how variable consideration is recognized, and whether revenues should be recognized at a point in time or over time.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (*Continued*)

Optimist adopted ASC 606 using a modified retrospective approach, and accordingly the new guidance was applied retrospectively to contracts that were not completed as of October 1, 2019, which is the date of initial application. As a practical expedient, for any contracts that were modified prior to October 1, 2020, Optimist has applied the new guidance for these uncompleted contracts as of the date of adoption, rather than as of the date of each modification. As a result of the judgements used, including the allocation of the transaction price to satisfied and unsatisfied performance obligations for modifications, Optimist may have come to different conclusions if analyzed based on the date of each modification. Management does not believe that the effect of this practical expedient had a material effect on the application of ASC 606. The adoption of ASC 606 has no impact on the change in net assets or cash provided by operating activities and did not result in a material change to the timing of when revenue is recognized.

Revenues And Deferred Revenue

Disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from revenue streams are as following:

Dues And Fees

Dues and fees consist of membership dues collected from Optimist members, annual fees collected from Friends of Optimist (Friends), and processing fees. Dues and fees, which are nonrefundable, are considered exchange transactions based on the value of benefits provided to members. The payment of the membership fee constitutes the contract with the member.

Membership dues are billed quarterly to each Optimist Club based on the number of members. The dues structure is based on the United Nation's designation and categorized into either developed or developing countries. Optimist Clubs receive membership benefits including branding rights, insurance, administrative support, leadership training, and a variety of online resources. Membership dues are recognized as revenue over the course of the quarter for which the membership benefits are provided.

Annual fees for Friends are billed annually. Annual fees are recognized as revenue at the point in time a new Friend joins.

Processing fees relate to a one-time fee for each new member added to a Club. Optimist bills and recognizes revenue for processing fees at the point in time a new member is reported on the Club roster.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (*Continued*)

Charter Fees

Charter fees relate to a one-time fee for chartering a new Club. Charter fees are recognized as revenue at the point in time a new Club is created and supplies are provided to the Club.

Life Membership Fees

Life membership fees relate to a one-time fee members can pay to receive reduced quarterly membership dues for life. Life membership fees are recognized as revenue at the point in time a member enrolls as a life member.

Junior Optimist International (JOI) Fees

JOI fees consist primarily of membership dues and registration fees for JOI Clubs.

JOI membership dues are billed annually to each JOI Club based on the number of members. Only the first 50 members of each JOI Club pay membership dues. The dues structure is based on tiers, as defined by the World Bank as high-income economies, upper middle income economies, and low income economies. JOI Clubs receive membership benefits including branding rights, postage, supplies, district officer newsletters, Club mailings, recruitment and training videos, board meetings, member newsletter, training modules, and the International Convention. JOI membership dues are recognized as revenue over the course of the year for which benefits are provided. JOI membership dues collected in advance and are recorded as deferred revenue.

JOI registration fees relate to a one-time fee for chartering a new JOI Club. JOI registration fees are recognized as revenue at the point in time a new JOI Club is created and supplies are provided to the JOI Club.

International Convention

International convention revenues consist primarily of registration fees, special event fees, and sales of merchandise. Revenues are recognized at the point in time the event occurs and/or when the products are sold. Registration fees and special event fees collected in advance of the event are recorded as deferred revenue.

**OPTIMIST INTERNATIONAL
AND RELATED ORGANIZATION**

Notes To Consolidated Financial Statements (*Continued*)

Youth Programs Foundation Revenues

Youth Programs Foundation revenues consist primarily of golf revenues, contributions and grants, and merchandise sales.

Golf revenues relate to registration fees and event fees for the annual golf tournament hosted by Youth Programs. Registration fees and event fees are recognized at the point in time the event occurs. Fees related to earned revenue that are collected in advance of the event are recorded as deferred revenue.

Merchandise sales are recognized as revenue at the point in time the products are sold.

The following table provides opening and closing balances of gross accounts receivable derived from program revenue:

| | October 1, 2019 | September 30, 2020 | September 30, 2021 |
|---------------|----------------------------|-------------------------------|-------------------------------|
| Dues and fees | \$ 109,322 | \$ 142,325 | \$ 209,108 |

The following table provides opening and closing balances of deferred revenue derived from program revenue:

| | October 1, 2019 | September 30, 2020 | September 30, 2021 |
|--|----------------------------|-------------------------------|-------------------------------|
| Life membership fees | \$ 1,221 | \$ 1,203 | \$ — |
| JOI membership dues | 37,811 | 50,631 | — |
| International convention | 61 | 75 | — |
| Youth Programs Foundation revenues - golf revenue | 16,428 | 23,400 | 46,180 |
| | \$ 55,521 | \$ 75,309 | \$ 46,180 |

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (*Continued*)

Public Support

Optimist reports contributions as with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the consolidated statement of activities as net assets released from restrictions. Optimist reports donor restricted contributions as without donor restriction if Optimist meets the donor restrictions in the same period as receipt of the contributions.

Contributions are recognized in the year that the pledge of support is made. Conditional pledges, that is, those with a measurable performance or other barrier, are not recognized until the conditions on which they depend have been met.

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. Translation (gain) loss was (\$60,640) and \$9,301 for the years ended September 30, 2021 and 2020, respectively.

Description Of Program Services And Supporting Activities

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

Programs - Club Programs - Optimist International is an association which provides operational support to 2,135 Optimist Clubs around the world dedicated to “bringing out the best in youth, in their communities, and in themselves.” 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.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (*Continued*)

Programs - Youth Programs - Youth Programs provide 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.

Programs - Education and Community - Includes the costs of supporting present and future leadership by providing education and community support for Optimist members through various training opportunities throughout the fiscal year. The quarterly magazine is an educational tool used by Optimist to educate its members on the value of community service. Each member receives a copy of the magazine. The magazine contains articles, international goodwill, fundraising, leadership development, youth leadership, and a variety of other topics that encourage members on the benefits of performing community service in their local communities that benefit youth.

Another emphasis is the development of leadership educational materials for Optimist's clubs, districts and international officers. Optimist focuses efforts on educating club officers on how to lead and operate a club, educate Governors on how to lead and operate a District and to educate the International Board of Directors on how to lead the international organization. With effective leadership at all levels, the mission and function of Optimist Clubs and Optimist "to bring out the best in youth, their communities and themselves" can be carried out effectively.

For over 100 years, Optimist has been building and developing leaders at all levels, offering a unique brand of leadership through the service to others. Optimist sponsors various programs for youth that can help change their lives. The JOI Program provides opportunities for youth to individually and collectively participate in community service activities, develop leadership abilities, learn respect for the law, work for international accord and friendship among all people, and build an active interest in good government and civic affairs.

Programs - Meetings - Includes the costs for the International Convention, which is held annually and brings together over 1,000 members and guests to inspire and inform of Optimist's programs and activities during the past year and highlight upcoming activities. Workshops, educational sessions, dynamic educational speakers, and motivational events are the focus of the event.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (*Continued*)

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.

Membership Development - Includes the costs of soliciting prospective members and membership dues, strengthening member relations and other similar activities.

Functional Expense Allocation

Expenses are charged to programs and supporting activities on the basis of management's estimates of how resources are utilized. Salaries and related expenses are charged to program services and supporting activities on the basis of time and expense studies. Expenses such as depreciation and amortization, insurance, and occupancy are charged to program services and supporting services on the basis of square footage. Other expenses are charged to program services and supporting services based on the nature of the expenditure. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Optimist.

Tax Status

Optimist International has received a favorable determination letter from the Internal Revenue Service and is exempt from federal income taxes on related, exempt income 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 on related, exempt income under the provisions of Code Section 501(c)(3).

Subsequent Events

Management has evaluated subsequent events through the date the consolidated financial statements are available for issue, which is the date of the Independent Auditors' Report.

Reclassifications

Certain 2020 amounts have been reclassified, where appropriate, to conform with the 2021 consolidated financial statement presentation.

**OPTIMIST INTERNATIONAL
AND RELATED ORGANIZATION**

Notes To Consolidated Financial Statements (*Continued*)

3. Investments And Assets Restricted For Board-Designated Endowment

Investments consist of:

| | <u>2021</u> | <u>2020</u> |
|------------------------------------|---------------------|---------------------|
| Guaranteed investment certificates | \$ 1,356,299 | \$ 1,005,597 |
| Certificate of deposit | 80,613 | 80,064 |
| | <u>\$ 1,436,912</u> | <u>\$ 1,085,661</u> |

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

Assets restricted for Board-designated endowment are comprised of Optimist's interest in the investments held by Optimist International Foundation. At September 30, 2021 and 2020, \$132,109 and \$118,563 was held, respectively. 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, 2021 and 2020 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 2021 and 2020, 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>2021</u> | <u>2020</u> |
|---------------------------------|------------------|-------------------|
| Accounts receivable from clubs | \$ 275,199 | \$ 208,999 |
| Other receivables | 6,904 | 41,456 |
| Allowance for doubtful accounts | (183,099) | (112,623) |
| | <u>\$ 99,004</u> | <u>\$ 137,832</u> |

**OPTIMIST INTERNATIONAL
AND RELATED ORGANIZATION**

Notes To Consolidated Financial Statements (*Continued*)

5. Property And Equipment

Property and equipment consist of:

| | <u>2021</u> | <u>2020</u> |
|--|------------------|------------------|
| Furniture and equipment | \$ 1,092,365 | \$ 1,211,939 |
| Less: Accumulated depreciation and amortization | 1,049,292 | 1,156,232 |
| | <u>\$ 43,073</u> | <u>\$ 55,707</u> |

Depreciation and amortization expense amounted to \$20,247 and \$33,535 for the years ended September 30, 2021 and 2020, respectively.

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, amortization and depletion expense on the consolidated statement of activities. Assets recorded under the capital leases at September 30, 2021 and 2020 are valued at \$79,526, less accumulated amortization of \$54,258 and \$41,624, in 2021 and 2020, respectively.

Future minimum lease payments related to these leases as of September 30, 2021 are as follows:

| <u>Year</u> | <u>Amount</u> |
|---|------------------|
| 2022 | \$ 20,088 |
| 2023 | 20,088 |
| Total minimum obligations | 40,176 |
| Less: Amounts representing interest | 2,116 |
| Present value of minimum lease payments | 38,060 |
| Less: Current portion | 18,532 |
| | <u>\$ 19,528</u> |

For the years ended September 30, 2021 and 2020, interest expense on the capital lease obligations amounted to \$2,502 and \$3,499, respectively.

**OPTIMIST INTERNATIONAL
AND RELATED ORGANIZATION**

Notes To Consolidated Financial Statements (*Continued*)

7. Debt

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, an interest rate of 6.97% and matures in 2028. 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, 2021 and 2020, the promissory note had an outstanding balance of \$355,659 and \$393,800, respectively.

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

| <u>Year</u> | <u>Amount</u> |
|-------------|-------------------|
| 2022 | \$ 40,092 |
| 2023 | 42,143 |
| 2024 | 44,299 |
| 2025 | 46,566 |
| 2026 | 48,948 |
| Thereafter | 133,611 |
| | <u>\$ 355,659</u> |

For the years ended September 30, 2021 and 2020, interest expense related to the promissory note amounted to \$18,824 and \$20,680, respectively.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (*Continued*)

Paycheck Protection Program Loan

In May 2020, Optimist International entered into a Paycheck Protection Program loan in the amount of \$391,095 with a local bank. This loan was issued pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act's Paycheck Protection Program and is unsecured. Amounts outstanding under this loan bore interest at a rate of 1%. During the period beginning April 2020 and ending on the ten-month anniversary of the end of the covered period of the loan (the deferral period), interest on the outstanding principal balance was to accrue, but neither principal nor interest was due or payable. At the end of the deferral period, the outstanding principal that was not forgiven under the Paycheck Protection Program would convert to a term loan. Optimist International applied to the bank for forgiveness of the amount due on the loan in an amount based on costs incurred by Optimist International during the eight-week to twenty four-week period beginning on the date of the first disbursement of the loan. During 2021, Optimist International received loan forgiveness from the SBA for \$391,095, which is reflected as debt forgiveness on the consolidated statement of activities for the year ended September 30, 2021.

In 2020, based on allocation of employees, Optimist International gave \$54,906 of their PPP loan to Optimist International Foundation. Optimist International and Optimist International Foundation entered into a promissory note agreement with terms identical to the Paycheck Protection Program loan. As of September 30, 2020, \$54,906 was due from Optimist International Foundation, which was included in due from related parties on the consolidated statement of financial position (Note 14). In conjunction with Optimist International's Paycheck Protection Program loan forgiveness received from the SBA during 2021, the promissory note due from Optimist International Foundation was also forgiven, which is included in other expenses on the consolidated statement of activities.

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 the financial institution's prime rate plus 2.00% (5.25% at September 30, 2021) and terminates on April 8, 2022. The line of credit is secured by an interest in Optimist's inventory, accounts receivable and equipment.

As of September 30, 2021 and 2020, no amount is due under the line-of-credit agreement. No interest expense was incurred in 2021. \$1,301 of interest was incurred in 2020.

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 without donor restrictions.

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 5% (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.

**OPTIMIST INTERNATIONAL
AND RELATED ORGANIZATION**

Notes To Consolidated Financial Statements (*Continued*)

Optimist had the following endowment funds without donor restrictions:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| <u>Board-designated endowment funds</u> | <u>\$ 132,109</u> | <u>\$ 118,563</u> |

Changes in the endowment fund are as follows:

| | <u>Without Donor Restrictions</u> |
|---|---|
| Balance - October 1, 2019 | \$ 113,705 |
| Contributions to Board-designated endowment | 675 |
| Investment return | <u>4,183</u> |
| Balance - September 30, 2020 | 118,563 |
| Contributions to Board-designated endowment | 9,274 |
| Investment return | <u>4,272</u> |
| Balance - September 30, 2021 | <u>\$ 132,109</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 supplemental plan originally covered 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 pension plan and supplemental plan are measured for the current fiscal year at October 1, 2020. Optimist's funding policy is to make, as a minimum contribution, the equivalent of the minimum required by the ERISA. No contributions were made to the pension plan in 2021 or 2020. 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, 2021 and 2020, as estimated by the consulting actuary:

| | 2021 | | |
|---|---|--|------------------------------------|
| | Defined Benefit Pension Plan | Supplemental Pension Plan | Total Pension Plans |
| Change In Benefit Obligation | | | |
| Benefit obligation at beginning of year | \$ 2,143,600 | \$ 178,140 | \$ 2,321,740 |
| Interest cost | 61,443 | 4,890 | 66,333 |
| Actuarial loss | 46,092 | 13,749 | 59,841 |
| Benefits paid | (189,004) | (31,936) | (220,940) |
| Benefit obligation at end of year | 2,062,131 | 164,843 | 2,226,974 |
| Change In Plan Assets | | | |
| Fair value of plan assets at beginning of year | 3,266,751 | — | 3,266,751 |
| Actual return on plan assets | 735,169 | — | 735,169 |
| Employer contribution | — | 31,936 | 31,936 |
| Benefits paid | (189,004) | (31,936) | (220,940) |
| Fair value of plan assets at end of year | 3,812,916 | — | 3,812,916 |
| Funded status | \$ 1,750,785 | \$ (164,843) | \$ 1,585,942 |
| | | | |
| | 2020 | | |
| | Defined Benefit Pension Plan | Supplemental Pension Plan | Total Pension Plans |
| Change In Benefit Obligation | | | |
| Benefit obligation at beginning of year | \$ 2,136,749 | \$ 178,599 | \$ 2,315,348 |
| Interest cost | 96,461 | 7,362 | 103,823 |
| Actuarial loss | 120,544 | 24,195 | 144,739 |
| Benefits paid | (210,154) | (32,016) | (242,170) |
| Benefit obligation at end of year | 2,143,600 | 178,140 | 2,321,740 |
| Change In Plan Assets | | | |
| Fair value of plan assets at beginning of year | 3,227,604 | — | 3,227,604 |
| Actual return on plan assets | 249,301 | — | 249,301 |
| Employer contribution | — | 32,016 | 32,016 |
| Benefits paid | (210,154) | (32,016) | (242,170) |
| Fair value of plan assets at end of year | 3,266,751 | — | 3,266,751 |
| Funded status | \$ 1,090,855 | \$ (178,140) | \$ 945,011 |

The net 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, 2021 and 2020.

**OPTIMIST INTERNATIONAL
AND RELATED ORGANIZATION**

Notes To Consolidated Financial Statements (*Continued*)

The supplemental pension plan is currently unfunded and will be funded by Optimist as benefits are due to participants. Expected contributions in 2022 are \$30,000.

The following is a summary of the components of net periodic pension cost for the years ended September 30, 2021 and 2020:

| | 2021 | | |
|--|---|--|------------------------------------|
| | Defined Benefit Pension Plan | Supplemental Pension Plan | Total Pension Plans |
| Interest cost | \$ 61,443 | \$ 4,890 | \$ 66,333 |
| Expected return on plan assets | (221,988) | — | (221,988) |
| Net amortization | 55,916 | 9,439 | 65,355 |
| Other components of net periodic pension cost | (104,629) | 14,329 | (90,300) |
| Service cost | — | — | — |
| | \$ (104,629) | \$ 14,329 | \$ (90,300) |

| | 2020 | | |
|--|---|--|------------------------------------|
| | Defined Benefit Pension Plan | Supplemental Pension Plan | Total Pension Plans |
| Interest cost | \$ 96,461 | \$ 7,362 | \$ 103,823 |
| Expected return on plan assets | (218,512) | — | (218,512) |
| Net amortization | 52,712 | 6,328 | 59,040 |
| Other components of net periodic pension cost | (69,339) | 13,690 | (55,649) |
| Service cost | — | — | — |
| | \$ (69,339) | \$ 13,690 | \$ (55,649) |

Components of net periodic pension cost other than service cost are presented separately in the consolidated statement of activities, while any service cost would be included within employee benefits.

**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:

| | 2021 | | |
|--------------------------------|---|--|------------------------------------|
| | Defined Benefit Pension Plan | Supplemental Pension Plan | Total Pension Plans |
| Current year actuarial gain | \$ (55,916) | \$ (9,439) | \$ (65,355) |
| Amortization of actuarial loss | (467,089) | 13,749 | (453,340) |
| | <u>\$ (523,005)</u> | <u>\$ 4,310</u> | <u>\$ (518,695)</u> |

| | 2020 | | |
|--------------------------------|---|--|------------------------------------|
| | Defined Benefit Pension Plan | Supplemental Pension Plan | Total Pension Plans |
| Current year actuarial gain | \$ (52,712) | \$ (6,328) | \$ (59,040) |
| Amortization of actuarial loss | 89,755 | 24,195 | 113,950 |
| | <u>\$ 37,043</u> | <u>\$ 17,867</u> | <u>\$ 54,910</u> |

Amounts expected to be reflected in net periodic benefit cost (excluding the period service cost, interest cost and return on plan assets) in the year ending September 30, 2022:

| | Defined Benefit Pension Plan | Supplemental Pension Plan | Total Pension Plans |
|------------------------|---|--|------------------------------------|
| Net prior service cost | \$ — | \$ — | \$ — |
| Net amortization | 20,871 | 9,689 | 30,560 |
| Transition obligation | — | — | — |
| | <u>\$ 20,871</u> | <u>\$ 9,689</u> | <u>\$ 30,560</u> |

**OPTIMIST INTERNATIONAL
AND RELATED ORGANIZATION**

Notes To Consolidated Financial Statements (*Continued*)

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 2021 or 2020.

The following table sets forth the weighted average assumptions used to determine net period pension cost and benefit obligations as of September 30, 2021 and 2020:

| | 2021 | | 2020 | |
|---|---------------------------------------|---------------------------------|---------------------------------------|---------------------------------|
| | 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: | 2.87% | 2.87% | 3.00% | 3.00% |
| Rate of compensation increase | N/A | N/A | N/A | N/A |
| Weighted-average assumptions used to determine net periodic benefit costs for the years ended September 30: | | | | |
| Discount rate | 2.87% | 2.87% | 3.00% | 3.00% |
| 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 |

**OPTIMIST INTERNATIONAL
AND RELATED ORGANIZATION**

Notes To Consolidated Financial Statements (*Continued*)

The benefits expected to be paid in each year from 2022 through 2026 and thereafter are as follows:

| Year | Defined Benefit Pension Plan | Supplemental Pension Plan | Total Pension Plans |
|-------------|---|--|------------------------------------|
| 2022 | \$ 189,000 | \$ 30,000 | \$ 219,000 |
| 2023 | 180,000 | 27,000 | 207,000 |
| 2024 | 174,000 | 23,000 | 197,000 |
| 2025 | 166,000 | 20,000 | 186,000 |
| 2026 | 155,000 | 17,000 | 172,000 |
| 2027-2031 | 657,000 | 50,000 | 707,000 |
| | <u>\$ 1,521,000</u> | <u>\$ 167,000</u> | <u>\$ 1,688,000</u> |

Management has estimated, based on actuarial information, that no contribution was required for the defined benefit pension plan for the year ended September 30, 2022.

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.

At September 30, 2021 and 2020, 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.

**OPTIMIST INTERNATIONAL
AND RELATED ORGANIZATION**

Notes To Consolidated Financial Statements (*Continued*)

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

| Asset Category | Fair Value Measurements At September 30, 2021 | | | | Total |
|---------------------------|---|--|--|----|-----------|
| | Quoted Prices In Active Markets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | | |
| Cash and cash equivalents | \$ 148,393 | \$ — | \$ — | \$ | 148,393 |
| Mutual funds: | | | | | |
| Mid-cap value | 301,536 | — | — | | 301,536 |
| Mid-cap growth | 428,901 | — | — | | 428,901 |
| Large-cap value | 428,806 | — | — | | 428,806 |
| Large-cap growth | 718,496 | — | — | | 718,496 |
| Large-cap blend | 794,721 | — | — | | 794,721 |
| Multisector bond | 599,378 | — | — | | 599,378 |
| High-yield bond | 392,685 | — | — | | 392,685 |
| | \$ 3,812,916 | \$ — | \$ — | \$ | 3,812,916 |

| Asset Category | Fair Value Measurements At September 30, 2020 | | | | Total |
|---------------------------|---|--|--|----|-----------|
| | Quoted Prices In Active Markets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | | |
| Cash and cash equivalents | \$ 164,179 | \$ — | \$ — | \$ | 164,179 |
| Mutual funds: | | | | | |
| Mid-cap value | 223,429 | — | — | | 223,429 |
| Mid-cap growth | 384,187 | — | — | | 384,187 |
| Large-cap value | 240,854 | — | — | | 240,854 |
| Large-cap growth | 774,611 | — | — | | 774,611 |
| Large-cap blend | 638,842 | — | — | | 638,842 |
| Multisector bond | 468,933 | — | — | | 468,933 |
| High-yield bond | 371,716 | — | — | | 371,716 |
| | \$ 3,266,751 | \$ — | \$ — | \$ | 3,266,751 |

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 \$73,384 and \$72,424 in 2021 and 2020, respectively.

**OPTIMIST INTERNATIONAL
AND RELATED ORGANIZATION**

Notes To Consolidated Financial Statements (*Continued*)

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 \$12,723 and \$10,104 in 2021 and 2020, 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.

Activity of Youth Programs consists of the following:

| | <u>2021</u> | <u>2020</u> |
|--------------------------|-------------------|---------------------|
| Revenues | | |
| Golf revenue | \$ 1,111,625 | \$ 74,495 |
| Contributions and grants | 45,119 | 692 |
| Merchandise sales | 17,563 | — |
| Other | 4,272 | 4,285 |
| Total revenues | <u>1,178,579</u> | <u>79,472</u> |
| Expenses | <u>1,018,101</u> | <u>190,853</u> |
| | <u>\$ 160,478</u> | <u>\$ (111,381)</u> |

12. Operating Lease

Optimist leases an office in Canada under an operating lease. At September 30, 2021, the future minimum rental payments under this lease are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|------------------|
| 2022 | \$ 30,175 |
| 2023 | 17,602 |
| Total | <u>\$ 47,777</u> |

Rent expense recognized by Optimist was \$30,520 and \$28,284 in 2021 and 2020, respectively.

**OPTIMIST INTERNATIONAL
AND RELATED ORGANIZATION**

Notes To Consolidated Financial Statements (*Continued*)

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.

14. Related Party Transactions

Due from related parties consist of:

| | <u>2021</u> | <u>2020</u> |
|---|------------------|------------------|
| Due from Optimist International Foundation | \$ 59,218 | \$ 62,805 |
| Due from Canadian Children's Optimist Foundation | 1,397 | 3,200 |
| Due from Optimistes Francophones Canadiens | 15,748 | — |
| | <u>\$ 76,363</u> | <u>\$ 66,005</u> |

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. Additional administrative services are provided without charge.

During 2021, Optimist entered into a note receivable agreement with Optimistes Francophones Canadiens. The note has a principal balance of \$20,000 in Canadian dollars, bears no interest, and is due in full on or before September 30, 2022. Optimist will also provide a one-time grant up to \$30,000 in Canadian dollars to Optimistes Francophones Canadiens, subject to certain terms and conditions as outlined in the note receivable agreement.

Optimist International Foundation and Canadian Children's Optimist Foundation also provide grants to Optimist for various programs. The grants to Optimist totaled \$99,129 and \$96,094 for the years ended September 30, 2021 and 2020, respectively.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (*Continued*)

15. Contingencies

Optimist International maintained an office in Canada and employed several individuals at this office during fiscal year 2021. As of September 30, 2021, the office in Canada is closed. Under Canadian employment law, certain employees of Optimist International may be entitled to severance pay, even though they are no longer employees. Optimist International does not expect to incur a severance liability after September 30, 2021.

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, 2021, no such cancellations are expected.

During 2017, the Canada Revenue Agency (Agency) performed an examination of Optimist's Canadian Goods and Services Tax (GST) and Harmonized Sales Tax (HST) tax returns filed in previous years related to dues charged to the Canadian Membership. During 2018, the Agency proposed adjustments totaling \$212,680 in Canadian dollars related to return periods dating back to 2013. During 2019, Optimist paid the Agency these proposed adjustments, which amounted to \$158,504 in U.S. dollars on the date of payment, to counteract future interest charges while Optimist pursued its appeal. In June 2020, Optimist's Board approved offering a settlement proposal that would result in approximately 53% of these adjustments being returned to Optimist. In 2021, the Agency issued a counter to Optimist's settlement proposal offering a net refund to Optimist of approximately \$210,000, which was approved by Optimist's Board. This refund was received in 2021, which is included in other income on the consolidated statement of activities.

During 2020, Optimist was named as a defendant in a litigation case. A settlement, including related legal fees, was reached and was included in other expenses on the consolidated statement of activities. These costs were fully covered by Optimist's insurance coverage, the proceeds of which were included in other income on the consolidated statement of activities.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (*Continued*)

Optimist is involved in various claims, proceedings, and legal actions. These actions can involve claims for compensatory or punitive damages, as well as other types of relief. While the ultimate resolution of claims, proceedings, or legal action cannot be predicted with certainty, management, based on consultation with outside counsel, does not believe that any such claim, proceeding, or legal action, either alone or in the aggregation, will have a material adverse effect on the consolidated financial position of Optimist, but could be material to its changes in net assets or cash flows in one or more future years.

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 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.

In January 2020, a novel strain of coronavirus (COVID-19) spread worldwide including the United States. The impact of the virus varies from region to region and from day to day, and any significant additional spreading of the virus could continue to affect Optimist's revenue and other support. In compliance with government mandates, since March 2020, Optimist has had to modify its operations and programming, which has affected Optimist's revenue. The continued outbreak of the COVID-19 virus is likely to have a further negative impact on the economy in 2022, thereby continuing to have an impact on Optimist's revenue streams for the foreseeable future. All of these factors could have a significant impact on Optimist's financial results in 2022 and beyond. Given the dynamic nature of this outbreak, the extent to which the COVID-19 virus will impact Optimist's results will depend on future developments, which remain highly uncertain and cannot be predicted at this time.

17. Employment Agreement

Optimist has executed an employment agreement with a key officer. The terms of the agreement run through September 30, 2024, and include provisions regarding compensation, benefits and effects of termination.

**OPTIMIST INTERNATIONAL
AND RELATED ORGANIZATION**

Notes To Consolidated Financial Statements (*Continued*)

18. Liquidity And Availability Of Resources

Optimist's financial assets available within one year of the consolidated statement of financial position date for general expenditures are as follows:

| | <u>2021</u> | <u>2020</u> |
|---------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 582,760 | \$ 662,294 |
| Investments | 1,436,912 | 1,085,661 |
| Accounts receivable, net | 99,004 | 137,832 |
| Due from related parties | 76,363 | 66,005 |
| | <u>\$ 2,195,039</u> | <u>\$ 1,951,792</u> |

Optimist's financial assets are not subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the consolidated statement of financial position. As part of Optimist's liquidity management, it regularly monitors liquidity required to meet its operating needs. To help manage unanticipated liquidity needs, Optimist has a line of credit, as described in Note 8, which it could draw upon if needed. In addition, if necessary, the Board of Directors could un-designate investments to meet cash flow needs.

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 as of and for the years ended September 30, 2021 and 2020, and our report thereon dated January 7, 2022, 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 7, 2022

**OPTIMIST INTERNATIONAL
AND RELATED ORGANIZATION**

**SCHEDULE OF CONSOLIDATED REVENUES, EXPENDITURES
AND COMPARISON WITH BUDGET
For The Years Ended September 30, 2021 And 2020**

| | 2021 | | | 2020 | | |
|--|------------------|---------------------|----------------------------|------------------|---------------------|----------------------------|
| | Actual | Budget | Favorable (Unfavorable) | Actual | Budget | Favorable (Unfavorable) |
| Revenues | | | | | | |
| Dues and fees | \$ 3,175,340 | \$ 3,065,845 | \$ 109,495 | \$ 3,494,140 | \$ 3,430,480 | \$ 63,660 |
| Processing fees | — | 109,000 | (109,000) | — | 85,000 | (85,000) |
| Charter fees | 33,105 | 26,000 | 7,105 | 19,757 | 22,000 | (2,243) |
| Life membership fees | 39,308 | 32,500 | 6,808 | 29,725 | 40,800 | (11,075) |
| JOI fees | 191,367 | 168,352 | 23,015 | 103,811 | 122,502 | (18,691) |
| International convention | 196,510 | 287,000 | (90,490) | 64,979 | 45,443 | 19,536 |
| Youth Programs Foundation revenues | 1,178,579 | 1,266,119 | (87,540) | 79,472 | 74,646 | 4,826 |
| Grant revenue | 99,129 | 98,000 | 1,129 | 96,094 | 98,000 | (1,906) |
| Income from sales of supplies, less cost of supplies sold | 12,083 | 19,000 | (6,917) | 12,197 | 24,000 | (11,803) |
| Income from royalties | 16,590 | 25,000 | (8,410) | 20,928 | 25,000 | (4,072) |
| Other | 112,350 | 103,360 | 8,990 | 205,189 | 225,510 | (20,321) |
| Total Revenues | 5,054,361 | 5,200,176 | (145,815) | 4,126,292 | 4,193,381 | (67,089) |
| Expenditures | | | | | | |
| Allocated dues to districts | 36,723 | 39,200 | 2,477 | 39,438 | 43,000 | 3,562 |
| Club insurance premiums | 580,182 | 590,000 | 9,818 | 512,743 | 505,425 | (7,318) |
| Growth and member services | 281,813 | 326,421 | 44,608 | 323,895 | 384,197 | 60,302 |
| Club programs | 50,795 | 55,342 | 4,547 | 70,178 | 80,385 | 10,207 |
| Membership development | 274,492 | 270,464 | (4,028) | 271,730 | 291,046 | 19,316 |
| Communication | 202,092 | 202,275 | 183 | 242,430 | 252,370 | 9,940 |
| Meeting services | 154,015 | 151,720 | (2,295) | 148,233 | 146,607 | (1,626) |
| International convention | 225,042 | 354,584 | 129,542 | 81,902 | 87,465 | 5,563 |
| Canadian office services | 297,498 | 282,340 | (15,158) | 410,358 | 443,200 | 32,842 |
| Building maintenance | 233,240 | 249,494 | 16,254 | 250,958 | 240,889 | (10,069) |
| Finance, administration, information services and facilities | 987,191 | 997,843 | 10,652 | 904,559 | 927,012 | 22,453 |
| Loss on uncollectible accounts receivable | 109,736 | 80,000 | (29,736) | 74,408 | 35,000 | (39,408) |
| Executive director department | 305,714 | 299,228 | (6,486) | 292,961 | 294,796 | 1,835 |
| Board and officers | 79,334 | 85,825 | 6,491 | 103,436 | 155,330 | 51,894 |
| Committees | 64,870 | 11,840 | (53,030) | 23,117 | 38,009 | 14,892 |
| JOI programs | 123,828 | 147,643 | 23,815 | 93,360 | 102,911 | 9,551 |
| Youth Programs Foundation expenses | 1,018,101 | 1,170,706 | 152,605 | 190,853 | 195,089 | 4,236 |
| Capital improvements | 8,005 | 39,162 | 31,157 | 9,491 | 39,725 | 30,234 |
| Interest expense | 21,326 | 21,825 | 499 | 25,480 | 23,680 | (1,800) |
| Pension contributions | 31,936 | 33,500 | 1,564 | 32,016 | 33,500 | 1,484 |
| Total Expenditures | 5,085,933 | 5,409,412 | 323,479 | 4,101,546 | 4,319,636 | 218,090 |
| Gain (Loss) On Foreign Currency Translation (Note 2) | 60,640 | — | 60,640 | (9,301) | — | (9,301) |
| Excess (Deficiency) Of Revenues Over Expenditures | \$ 29,068 | \$ (209,236) | \$ 238,304 | \$ 15,445 | \$ (126,255) | \$ 141,700 |

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

SCHEDULE OF CHANGES IN MEMBERSHIP AND OFFICERS AND DIRECTORS For The Year Ended September 30, 2021

| | Member Clubs | Members |
|--------------------------------------|-------------------------|----------------|
| Membership, September 30, 2020 | 2,193 | 57,863 |
| New clubs and members | 85 | 6,660 |
| Less: Discontinued clubs and members | 143 | 9,584 |
| Membership, September 30, 2021 | 2,135 | 54,939 |

Officers and Directors - 2021-2022:

Optimist International

| | |
|-----------------|---|
| Patsy Garner | President |
| Robert McFadyen | President - Elect |
| Mark Weinsoff | Immediate Past President |
| Robert Doyle | Board Member |
| Russ Thomas | Board Member |
| Carol Haynes | Board Member |
| Janet Lloyd | Board Member |
| Luc Dubois | Board Member |
| Sandra Williams | Board Member |
| Maya Gluck | President of JOI (nonvoting) |
| Cheryl Brenn | Executive Director (nonvoting) |
| | President of Optimist International Foundation (nonvoting) |
| | President of Canadian Children's Optimist Foundation (nonvoting) |

Optimist International Youth Programs Foundation

| | |
|---------------------|---|
| Mark Weinsoff | Chairman |
| Robert McFadyen | Board Member |
| Patsy Garner | Board Member |
| Janet Lloyd | Board Member |
| Sandi Schmidt | Board Member |
| Robert Doyle | Board Member |
| Bill Meyers | Board Member |
| Marc Katz | Board Member |
| Luc Dubois | Board Member |
| Russ Thomas | Board Member |
| Sandra Williams | Board Member |
| Dianne Josling | Board Member |
| Cheryl Brenn | Executive Director (nonvoting) |
| Jan Oord Graves | President of Optimist International Foundation (nonvoting) |
| Jean-Claude St-Onge | President of Canadian Children's Optimist Foundation (nonvoting) |

Officers and Directors - 2020-2021:

Optimist International

| | |
|-----------------------|---|
| Mark Weinsoff | President |
| Patsy Garner | President - Elect |
| Adrian Elcock | Immediate Past President |
| Robert Doyle | Board Member |
| Sandy Cyphers | Board Member |
| Sandra Larivee | Board Member |
| Janet Lloyd | Board Member |
| Luc Dubois | Board Member |
| Sandra Williams | Board Member |
| Sophie-Chanel Bourre' | President of JOI (nonvoting) |
| Benny Ellerbe | Executive Director (nonvoting) |
| | President of Optimist International Foundation (nonvoting) |
| | President of Canadian Children's Optimist Foundation (nonvoting) |

Optimist International Youth Programs Foundation

| | |
|---------------------|---|
| Sandra Larivee | Chairman |
| Mark Weinsoff | Board Member |
| Adrian Elcock | Board Member |
| Patsy Garner | Board Member |
| Sandy Cyphers | Board Member |
| Luc Dubois | Board Member |
| Sandra Williams | Board Member |
| Robert Doyle | Board Member |
| Janet Lloyd | Board Member |
| Ken Garner | Board Member |
| Lawson Headley | Board Member |
| Benny Ellerbe | Executive Director (nonvoting) |
| Jan Oord Graves | President of Optimist International Foundation (nonvoting) |
| Jean-Claude St-Onge | President of Canadian Children's Optimist Foundation (nonvoting) |