
**OPTIMIST INTERNATIONAL
AND RELATED ORGANIZATION**
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014



Contents

	Page
Independent Auditors' Report	1 - 2
 Consolidated Financial Statements	
Consolidated Statement Of Financial Position	3
Consolidated Statement Of Activities.....	4
Consolidated Statement Of Cash Flows	5
Notes To Consolidated Financial Statements	6 - 21
 Supplementary Information	
Independent Auditors' Report On Supplementary Information	22
Schedule Of Consolidated Revenues, Expenditures And Comparison With Budget.....	23
Schedule Of Changes In Membership And Officers And Directors.....	24

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, 2014 and 2013, 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, 2014 and 2013, 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 7, 2015

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Assets	
	September 30,	
	2014	2013
Cash and cash equivalents	\$ 523,868	\$ 1,011,114
Investments (Note 3)	592,820	335,512
Accounts receivable, net (Notes 4 and 8)	120,814	109,738
Due from Optimist International Foundation (Note 13)	179,308	260,225
Due from Canadian Children's Optimist Foundation (Note 13)	39,285	27,399
Prepaid expenses and other current assets (Note 8)	338,664	380,500
Net pension asset (Note 9)	577,616	87,852
Property and equipment (Notes 5, 6, 7 and 8)	280,934	379,618
Total Assets	\$ 2,653,309	\$ 2,591,958

Liabilities And Net Assets

Liabilities		
Accounts payable	\$ 138,187	\$ 155,975
Accrued expenses and other liabilities	203,713	157,964
Accrued paid time off	337,204	346,649
Current portion of capital lease obligations (Note 6)	28,578	34,416
Current portion of promissory note payable (Note 7)	28,273	28,700
Due to districts	43,116	36,960
Deferred revenue	16,218	26,684
Long-term portion of capital lease obligations (Note 6)	13,012	41,590
Long-term portion of promissory note payable (Note 7)	558,401	585,789
Total Liabilities	1,366,702	1,414,727
Unrestricted Net Assets		
Undesignated - general	1,047,263	873,619
Net investment in property and equipment	239,344	303,612
Total Unrestricted Net Assets	1,286,607	1,177,231
Total Liabilities And Net Assets	\$ 2,653,309	\$ 2,591,958

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

CONSOLIDATED STATEMENT OF ACTIVITIES

	For The Years Ended September 30,	
	2014	2013
Revenues		
Dues and fees	\$ 3,956,361	\$ 4,063,754
Processing fees	115,962	123,295
Charter fees	17,009	31,195
Life membership fees	69,901	80,301
International convention	287,507	273,006
Youth Programs Foundation revenues (Note 10)	1,094,389	1,087,055
Optimist International Foundation grant revenue (Note 13)	150,043	248,713
Income from sales of supplies (net of cost of supplies sold of \$150 and \$1 in 2014 and 2013, respectively)	28,810	28,870
Income from royalties	32,553	38,533
Loss on foreign currency transactions	(61,382)	(10,281)
Other	157,549	25,566
Total Revenues	5,848,702	5,990,007
Expenses (Note 14)		
Allocated dues to districts	50,472	42,796
Club insurance premiums	581,494	558,309
Growth and member services	553,694	554,792
Club programs	258,149	350,146
Membership development	315,422	274,866
Communication	380,562	375,162
Meeting services	175,318	194,152
International convention	379,747	353,357
Canadian office services	454,677	410,163
Building maintenance	189,801	191,600
Finance, administration, information services and facilities	764,455	711,441
Loss on uncollectible accounts and pledges	37,831	37,476
Executive director department	338,487	337,723
Board and officers	181,721	187,169
Committees	62,602	53,292
Youth Programs Foundation expenses (Note 10)	1,087,070	1,097,334
Depreciation and amortization	113,271	130,742
Interest expense	30,942	42,611
Total Expenses	5,955,715	5,903,131
Excess (Deficiency) Of Revenues Over Expenses	(107,013)	86,876
Pension Plan Changes Other Than Net Periodic Benefit Cost (Note 9)	216,389	100,816
Increase In Unrestricted Net Assets	109,376	187,692
Unrestricted Net Assets - Beginning Of Year	1,177,231	989,539
Unrestricted Net Assets - End Of Year	\$ 1,286,607	\$ 1,177,231

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

CONSOLIDATED STATEMENT OF CASH FLOWS

	For The Years	
	Ended September 30,	
	2014	2013
Cash Flows From Operating Activities		
Increase in net assets	\$ 109,376	\$ 187,692
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation and amortization	113,271	130,742
Imputed interest on capital lease obligations	3,235	4,618
Changes in assets and liabilities:		
Increase in accounts receivable	(11,076)	(69,478)
(Increase) decrease in prepaid expenses and other current assets	41,836	(82,019)
Increase in net pension asset	(489,764)	(87,852)
Increase (decrease) in accounts payable	(17,788)	75,217
Increase (decrease) in accrued expenses and other liabilities	45,749	(85,529)
Decrease in accrued paid time off	(9,445)	(12,405)
Increase (decrease) in in deferred revenue	(10,466)	881
Decrease in pension liabilities	—	(254,361)
Net Cash Used In Operating Activities	(225,072)	(192,494)
Cash Flows From Investing Activities		
(Increase) decrease in due from Optimist International Foundation	80,917	(105,785)
Increase in due from Canadian Children's Optimist Foundation	(11,886)	(12,661)
Purchases of investments	(257,308)	(133,127)
Purchases of property and equipment	(14,587)	(13,451)
Net Cash Used In Investing Activities	(202,864)	(265,024)
Cash Flows From Financing Activities		
Increase (decrease) in due to districts	6,156	(10,062)
Payments on capital lease obligations	(37,651)	(37,652)
Repayments of promissory note payable	(27,815)	(23,568)
Net Cash Used In Financing Activities	(59,310)	(71,282)
Net Decrease In Cash And Cash Equivalents	(487,246)	(528,800)
Cash And Cash Equivalents - Beginning Of Year	1,011,114	1,539,914
Cash And Cash Equivalents - End Of Year	\$ 523,868	\$ 1,011,114
Supplemental Cash Flow Information		
Interest paid	\$ 27,707	\$ 37,993

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 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 2,503 and 2,607 clubs for the years ended September 30, 2014 and 2013, respectively, are not combined with the accounts of Optimist, since the 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, 2014 and 2013, 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. At September 30, 2014, approximately \$621,000 was uninsured.

Investments

Investments in guaranteed investment contracts are reported at fair value based on quoted market prices in active markets. Investment in certificates of deposit are reported at cost plus accrued interest, which approximates fair value.

Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with various types of investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

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.

Revenues

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

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (*Continued*)

Restricted And Unrestricted Support

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, 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 transactions on the consolidated statement of activities. Cumulative translation gains or losses are not significant to Optimist at September 30, 2014 and 2013.

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

Subsequent Events

Management has evaluated subsequent events through January 7, 2015, the date which the consolidated financial statements were available for issue.

Reclassifications

Certain 2013 amounts have been reclassified, where appropriate, to conform to the 2014 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).

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements *(Continued)*

The tax returns of Optimist International and Youth Programs for the fiscal year 2010 and later remain subject to examination by taxing authorities.

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

Investments consist of:

	<u>2014</u>	<u>2013</u>
Guaranteed investment contract	\$ 516,696	\$ 259,434
Certificates of deposit	76,124	76,078
	<u>\$ 592,820</u>	<u>\$ 335,512</u>

Investments are carried at fair value, except for certificates of deposit, which are carried at cost plus accrued interest. 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, 2014 and 2013 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 carried at fair value above are measured as Level 1 for fair value purposes.

During 2014 and 2013, there were no changes in the methods and/or assumptions utilized to derive the fair value of Optimist's assets.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (Continued)

4. Accounts Receivable

Accounts receivable consist of:

	<u>2014</u>	<u>2013</u>
Accounts receivable from clubs	\$ 76,664	\$ 130,922
Other receivables	66,676	11,874
Less: Allowance for doubtful accounts	<u>(22,526)</u>	<u>(33,058)</u>
	<u>\$ 120,814</u>	<u>\$ 109,738</u>

5. Property And Equipment

Property and equipment consist of:

	<u>2014</u>	<u>2013</u>
Land	\$ 158,417	\$ 158,417
Building	2,177,708	2,170,569
Furniture and equipment	<u>1,534,205</u>	<u>1,535,261</u>
	3,870,330	3,864,247
Less: Accumulated depreciation and amortization	<u>(3,589,396)</u>	<u>(3,484,629)</u>
	<u>\$ 280,934</u>	<u>\$ 379,618</u>

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, 2014 and 2013 are valued at \$168,891, less accumulated amortization of \$138,161 and \$104,810, respectively.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (Continued)

Future minimum lease payments related to these leases as of September 30, 2014 are as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 48,043
2016	9,911
2017	9,545
Total minimum obligations	67,499
Less: Amounts representing interest	5,242
Less: Amounts representing service fees	20,667
Present value of minimum lease payments	41,590
Less: Current portion	28,578
	\$ 13,012

For the years ended September 30, 2014 and 2013, interest expense on the capital lease obligations amounted to \$3,235 and \$4,618, respectively.

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 will be adjusted to equal the U.S. Aggregate Index for a 12-month period as published by Barclays Capital (5.00% effective December 31, 2013). The promissory note does not have a prepayment penalty. As of September 30, 2014 and 2013, the promissory note had an outstanding balance of \$586,674 and \$614,489, respectively.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements *(Continued)*

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

<u>Year</u>	<u>Amount</u>
2015	\$ 28,273
2016	29,720
2017	31,240
2018	32,838
2019	34,518
Thereafter	430,085
	<u>\$ 586,674</u>

For the year ended September 30, 2014 and 2013, interest expense related to the promissory note amounted to \$27,707 and \$37,993, respectively.

8. Line Of Credit

Optimist maintains a line-of-credit agreement with a financial institution. Optimist is permitted to borrow up to \$250,000 on the line of credit. The line of credit bears interest at 3.74%, and terminates on February 8, 2015. As of September 30, 2014 and 2013, 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.

9. 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.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (Continued)

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, 2013. 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 \$237,600 and \$224,444 in 2014 and 2013, respectively. Benefit accounts were frozen as of September 30, 1997.

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, 2014 and 2013, as estimated by the consulting actuary:

	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)

	2013		
	Defined Benefit Pension Plan	Supplemental Pension Plan	Total Pension Plans
Change In Benefit Obligation			
Benefit obligation at beginning of year	\$ 2,487,470	\$ 390,389	\$ 2,877,859
Interest cost	135,411	20,036	155,447
Actuarial gain	80,674	15,442	96,116
Benefits paid	(261,088)	(52,205)	(313,293)
Benefit obligation at end of year	2,442,467	373,662	2,816,129
Change In Plan Assets			
Fair value of plan assets at beginning of year	2,623,498	—	2,623,498
Actual return on plan assets	317,127	—	317,127
Employer contribution	224,444	52,205	276,649
Benefits paid	(261,088)	(52,205)	(313,293)
Fair value of plan assets at end of year	2,903,981	—	2,903,981
Funded status	\$ 461,514	\$ (373,662)	\$ 87,852

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, 2014 and 2013.

The supplemental pension plan is currently unfunded and will be funded by Optimist as benefits are due to participants.

The following is a summary of the components of net periodic pension cost for the years ended September 30, 2014 and 2013:

	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
	\$ (12,677)	\$ 29,107	\$ 16,430

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (Continued)

	2013		
	Defined Benefit Pension Plan	Supplemental Pension Plan	Total Pension Plans
Interest cost	\$ 135,411	\$ 20,036	\$ 155,447
Expected return on plan assets	(182,747)	—	(182,747)
Net amortization	54,023	8,529	62,552
	<u>\$ 6,687</u>	<u>\$ 28,565</u>	<u>\$ 35,252</u>

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

	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>

	2013		
	Defined Benefit Pension Plan	Supplemental Pension Plan	Total Pension Plans
Current year actuarial gain (loss)	\$ 53,706	\$ (15,442)	\$ 38,264
Amortization of actuarial gain	54,023	8,529	62,552
	<u>\$ 107,729</u>	<u>\$ (6,913)</u>	<u>\$ 100,816</u>

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (*Continued*)

Seven 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. Contributions from Optimist International Foundation amounted to \$13,196 and \$16,959 in 2014 and 2013, respectively.

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:

	2014		2013	
	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%	7.00%	7.00%	7.00%
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.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements *(Continued)*

The benefits expected to be paid in each year from 2015 through 2019 and thereafter are as follows:

Year	Defined Benefit Pension Plan	Supplemental Pension Plan	Total Pension Plans
2015	\$ 220,000	\$ 47,000	\$ 267,000
2016	215,000	45,000	260,000
2017	211,000	42,000	253,000
2018	210,000	39,000	249,000
2019	200,000	36,000	236,000
2020-2024	858,000	131,000	989,000
	\$ 1,914,000	\$ 340,000	\$ 2,254,000

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, 2015.

At September 30, 2014 and 2013, 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, 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

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (Continued)

Asset Category	Fair Value Measurements At September 30, 2013			Total
	Quoted Prices In Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash and cash equivalents	\$ 19,115	\$ —	\$ —	\$ 19,115
Mutual funds:				
Mid-cap value	234,762	—	—	234,762
Mid-cap growth	392,524	—	—	392,524
Large-cap value	523,363	—	—	523,363
Large-cap growth	371,658	—	—	371,658
Large-cap blend	170,207	—	—	170,207
Foreign large-cap blend	353,790	—	—	353,790
Multisector bond	411,792	—	—	411,792
High-yield bond	426,770	—	—	426,770
	\$ 2,903,981	\$ —	\$ —	\$ 2,903,981

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 \$76,926 and \$73,454 in 2014 and 2013, 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 \$9,820 and \$9,534 in 2014 and 2013, respectively.

10. 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.

During 2014, the Junior Optimist, Octagon, and Alpha programs were transferred to the Youth Programs Foundation.

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

Notes To Consolidated Financial Statements (Continued)

Activity of Youth Programs consists of the following:

	<u>2014</u>	<u>2013*</u>
Golf revenue	\$ 905,574	\$ 896,855
Contributions and grants	10,812	14,759
Merchandise sales	19,838	26,000
Junior Optimist, Octagon and Alpha fees	158,165	149,441
<u>Total revenues</u>	<u>1,094,389</u>	<u>1,087,055</u>
Golf course fees	116,042	111,579
Golf tournament	48,412	63,184
Travel	570,611	590,643
Junior Optimist, Octagon and Alpha programs	157,256	151,802
Administrative	194,749	180,126
<u>Total expenses</u>	<u>1,087,070</u>	<u>1,097,334</u>
	<u>\$ 7,319</u>	<u>\$ (10,279)</u>

* For comparative purposes, includes Junior Optimist, Octagon, and Alphas programs

11. Operating Lease

Optimist leases an office in Canada under an operating lease. At September 30, 2014, the future minimum rental payments under this lease are as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 32,426
2016	32,426
2017	32,426
2018	18,915
	<u>\$ 116,191</u>

Rent expense recognized by Optimist was approximately \$34,000 and \$36,000 for 2014 and 2013, respectively.

12. 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*)

13. 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, 2014 and 2013, which amounted to \$179,308 and \$260,225, respectively, from Optimist International Foundation and \$39,285 and \$27,399, 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 \$150,043 and \$248,713 for the years ended September 30, 2014 and 2013, respectively.

14. Functional Expenses

The following is a detail of expenses by functional classification:

	<u>2014</u>	<u>2013</u>
Programs:		
Allocated dues to districts	\$ 50,472	\$ 42,796
Club insurance premiums	581,494	558,309
Club growth and services	1,304,228	1,259,230
Youth Programs Foundation - direct expenses	1,087,070	1,097,334
Youth Programs Foundation - allocated indirect expenses	48,254	40,543
Club programs	300,370	396,484
Communications and magazine	325,971	341,532
International convention	518,702	515,447
<u>Total programs</u>	<u>4,216,561</u>	<u>4,251,675</u>
Supporting activities:		
Volunteer leadership expenses	692,621	628,476
General management	1,046,533	1,022,980
<u>Total supporting activities</u>	<u>1,739,154</u>	<u>1,651,456</u>
	<u>\$ 5,955,715</u>	<u>\$ 5,903,131</u>

15. 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, 2014.

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, 2014, no such cancellations are expected.

16. Risks And Uncertainties

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

17. Employment Agreement

Optimist has executed an employment agreement with a key officer. The terms of the agreement run through September 30, 2015, 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, 2014 and 2013, and our report thereon dated January 7, 2015, 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, 2015

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

SCHEDULE OF CONSOLIDATED REVENUES, EXPENDITURES AND COMPARISON WITH BUDGET For The Years Ended September 30, 2014 And 2013

	2014			2013		
	Actual	Budget	Favorable (Unfavorable)	Actual	Budget	Favorable (Unfavorable)
Revenues						
Dues, fees and magazine subscriptions	\$ 3,956,361	\$ 3,995,651	\$ (39,290)	\$ 4,063,754	\$ 4,297,038	\$ (233,284)
Processing fees	115,962	130,000	(14,038)	123,295	125,000	(1,705)
Charter fees	17,009	30,000	(12,991)	31,195	30,000	1,195
Life membership fees	69,901	85,000	(15,099)	80,301	80,000	301
International convention	287,507	259,815	27,692	273,006	298,840	(25,834)
Youth Programs Foundation revenues	1,094,389	1,247,813	(153,424)	1,087,055	1,230,033	(142,978)
Optimist International Foundation grant revenue	150,043	284,703	(134,660)	248,713	284,208	(35,495)
Income from sales of supplies, less cost of supplies sold	28,810	32,000	(3,190)	28,870	53,750	(24,880)
Royalties	32,553	39,000	(6,447)	38,533	43,000	(4,467)
Loss on foreign currency transactions	(61,382)	—	(61,382)	(10,281)	—	(10,281)
Other	157,549	104,232	53,317	25,566	14,050	11,516
Total Revenues	5,848,702	6,208,214	(359,512)	5,990,007	6,455,919	(465,912)
Expenditures						
Allocated dues to districts	50,472	57,000	6,528	42,796	64,000	21,204
Club insurance premiums	581,494	580,000	(1,494)	558,309	580,309	22,000
Growth and member services	553,694	603,477	49,783	554,792	754,795	200,003
Club programs	258,149	373,712	115,563	350,146	371,957	21,811
Membership development	315,422	327,218	11,796	274,866	275,359	493
Communication	380,562	404,016	23,454	375,162	394,567	19,405
Meeting services	175,318	177,521	2,203	194,152	182,745	(11,407)
International convention	379,747	294,309	(85,438)	353,357	343,747	(9,610)
Canadian office services	454,677	493,331	38,654	410,163	459,700	49,537
Building maintenance	189,801	181,362	(8,439)	191,600	177,537	(14,063)
Finance, administration, information services and facilities	761,221	751,627	(9,594)	693,148	684,239	(8,909)
Loss on uncollectible accounts and pledges	37,831	30,000	(7,831)	37,476	30,000	(7,476)
Executive director department	338,487	346,444	7,957	337,723	340,307	2,584
Board and officers	181,721	171,150	(10,571)	187,169	170,230	(16,939)
Committees	62,602	55,470	(7,132)	53,292	59,390	6,098
Youth Programs Foundation expenses	1,087,070	1,221,247	134,177	1,097,334	1,189,585	92,251
Capital improvements	14,587	90,000	75,413	13,451	25,000	11,549
Interest expense	30,942	28,917	(2,025)	42,611	48,790	6,179
Pension contributions	289,805	200,000	(89,805)	276,649	225,000	(51,649)
Total Expenditures	6,143,602	6,386,801	243,199	6,044,196	6,377,257	333,061
Excess (Deficiency) Of Revenues Over Expenditures	\$ (294,900)	\$ (178,587)	\$ (116,313)	\$ (54,189)	\$ 78,662	\$ (132,851)

OPTIMIST INTERNATIONAL AND RELATED ORGANIZATION

SCHEDULE OF CHANGES IN MEMBERSHIP AND OFFICERS AND DIRECTORS

For The Year Ended September 30, 2014

	Member Clubs	Members
Membership, September 30, 2013	2,607	75,434
New clubs and members	44	9,386
Less: Discontinued clubs and members	148	13,677
Membership, September 30, 2014	2,503	71,143

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)

Officers and Directors - 2013-14:

Optimist International

Ron Huxley	President
Ken Garner	President - Elect
Jean Claude St-Onge	Immediate Past President
Michael Goldman	Board Member
Paul Lucas	Board Member
Marlene Phillips	Board Member
Rick Quinlan	Board Member
Marc Katz	Board Member
James Oliver	Board Member
Stephanie Theriault	President of JOOI (non-voting)
Benny Ellerbe	Executive Director (non-voting)

Optimist International Youth Programs Foundation

Michael Goldman	Chairman
Bob McFadyen	Board Member
Wes Norris	Board Member
Jean-Claude St-Onge	Board Member
Ron Huxley	Board Member
Jon Creswell	Board Member
Paul Lucas	Board Member
Rick Quinlan	Board Member
William Jernigan	Board Member
Fatima Plater	Board Member
Marlene Phillips	Board Member
Dennis Osterwisch	Executive Director (non-voting)