

**REPORT TO THE
OPTIMIST INTERNATIONAL
BOARD OF DIRECTORS
BY THE**

INTERNATIONAL AUDIT AND FINANCE COMMITTEE

**March 4 & 5, 2011
St. Louis, Missouri**

SECTION 1: REQUESTS FOR BOARD ACTION:

A. OIJGC COMMITTEE

Rationale: Audit and Finance Committee reviewed the OIJGC budget in depth and discussed a letter received by the committee addressing their concerns of the budgeting process of the committee and golf tournaments. In discussing the issues addressed in the letter the committee noted the following bylaws regarding the committee:

Bylaws Article V, Section 6A5

Optimist International Junior Golf Championship Committee which shall be responsible for coordinating and operating the Optimist International Junior Golf Championships.

Bylaws Article V, Section 6B. Duties.

It shall be the duty of all operating, administrative and special committees to study, originate and prepare, as advisors to the Board of Directors, programs and activities, as may be assigned by, or proposed to, the Board of Directors, which contribute to the accomplishment of the purposes of Optimist International. The chairmen of the respective committees, with the approval or direction of the President, shall call all meetings of such committees.

The Committee also reviewed the bylaws concerning the specific job description of the Executive Director Bylaws Article VI, Section 7 as Secretary-Treasurer.

Bylaws Article VI, Section 7. Secretary Treasurer (*Executive Director of Optimist International*). All duties were reviewed, in particular:

Paragraph B(1) Shall direct, manage and supervise the Office of Optimist International and its staff. He shall be responsible for the implementation by the staff of any activity or program of Optimist International.

Paragraph D(3) Shall be responsible for the presentation of a proposed budget annual budget to the Board for its approval.

In doing so, the committee feels that the Executive Director has the sole responsibility of his staff and determination of how his staff is budgeted. As most of the OIJGC budget is fixed by contractual agreements for the hotel and various events, there is very little to “negotiate” with the budget. The Audit and Finance Committee appreciates the OIJGC Committee’s desire to be more involved with the budgeting process. However, all Optimist International Committees are

required to follow the administrative guidelines for developing their budgets as set forth in the Optimist International Bylaws.

The Audit and Finance Committee recommends a letter from the Board of Directors to the OIJGC Committee to better clarify the role of the OIJGC Committee and the role of Optimist International staff with regards to the budgeting process.

Motion Requested:

That the Board of Directors send a letter to the OIJGC Committee members to explain the budgetary role of the committee within the overall Optimist International budgetary process.

B. ENTERTAINMENT BOOK FUND RAISING

Rationale: The committee reviewed a proposal from Entertainment Fundraising to provide Clubs with a fund raising program with entertainment books.

Motion Requested:

That the Board of Directors direct staff to pursue a fund raising partnership with entertainment fundraising.

SECTION 2: FOR BOARD INFORMATION

AA. BUDGET FOR FISCAL YEAR 2010-11

The Audit & Finance Committee reviewed the 2010-2011 fiscal year budget and discussed the declining membership. The assumption the budget was based on was a -3% loss in membership and currently we are just over -4%. It was noted that the revenue from Friend of Optimists is helping to offset the Regular Membership Dues shortfall. Despite this positive offset, the net impact of the membership loss is approximately a decline in revenue of \$40,000. The Committee is not proposing any changes to the budget at this time but wants the Board to be informed about the projected decline in revenue. (See Exhibits AA1 and AA2)

BB. BUDGET FOR FISCAL YEAR 2011-2012

The Audit & Finance Committee along with President-Elect Jack Creswell and staff has developed a preliminary budget for the fiscal year 2011-2012 (See Exhibit BB). As the Board of Directors may decide to modify the preliminary budget, the Committee will submit the final budget at the July Board meeting.

CC. ANNUAL DUES BILLING FOR CLUBS ON 120 LIST

The committee recommends that this issue not be pursued any further. There are procedures in place that allow the executive and staff to work with late paying clubs that seem to working to

the clubs' benefit. This committee feels that punitive procedures will affect the organization in a negative manner. The committee felt that encouraging Districts to have Optimist International collect District dues for the Districts may be a viable method of helping the Districts.

DD. INSURANCE REVIEW

The committee heard a report from the insurance carrier and addressed some concerns for Canadian Clubs as reported by Jacques Pelland. The primary concerns are poor customer service, inconsistencies between the French and English insurance summaries, and changes in the exclusions from the prior year. Our insurance representative is reviewing these problems to find solutions. It was suggested that Jacques and our insurance carrier representative get together via Skype or phone conference call to see if they can resolve the insurance issues or come up with some alternative actions that could be taken.

EE. SENDOUTCARDS FUND RAISING PROPOSAL

The committee reviewed a proposal from SENDOUTCARDS. As the committee was not given details about the company, it was suggested that the company introduce their product to our Clubs with a booth at the convention.

FF. FINANCE TRAINING FOR THE BOARD OF DIRECTORS

The committee was unanimous in agreement that this session is an excellent idea for each board to review the Optimist International budgeting process. It was suggested that this session be held each year prior to the first board meeting of the fiscal year. It was also discussed about developing a tutorial on disc that could be presented to new Board members before they officially take office, to better orientate them as to financial matters related to Optimist International and their fiduciary duties as a Board member.

GG. PROPOSAL FOR SECOND YEAR DUES EXEMPTION

The Committee reviewed the revised proposal for an exemption of dues for second year clubs as presented by Board Member Fatima Plater as shown in Exhibit Y of this report. It was noted that this could be difficult to administer and it was suggested that perhaps a non-monetary award be offered such as convention registration to Clubs wanting to send a representative to convention in their second year.

Respectfully Submitted by,

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

Exhibits AA1 and AA2 – 2010-2011 Revised Budget - attached

Exhibit BB – 2011-2011 Preliminary Budget - attached

Exhibit GG – Second Year Dues Reduction Proposal

**AMENDED
PROPOSAL
TO THE
OPTIMIST INTERNATIONAL BOARD OF DIRECTORS**

March 4, 2011

SECOND YEAR CLUB EXEMPTION OF DUES FOR ONE YEAR

Rationale: Newly built clubs have financial problems in their first years of existence. A newly built club starts its second year often with no funds or reduced funds in the bank and new leadership and members who are often new to the organization. It is difficult to carry out activities for our youth, recruit new members and pay Optimist International dues without funds. This penalizes the youth they were built to serve and is also one of the reasons clubs disband in their second year. The second year poses a great risk of club expulsion from our organization because of nonpayment of dues, a loss of membership and lack of established fundraising projects. In order to give clubs a chance to find the means of training effective leaders, recruiting new members and raising adequate funds to operate youth programs, the following proposal is offered:

Motion Requested:

~~That the Optimist International Board of Directors consider Second Year clubs in good standing, with Optimist International as of October 1st of their second year to be exempt from international dues for their second year, October 1– September 30th.~~

That the Optimist International Board of Directors consider Second Year clubs in good standing (current in dues one year after its charter date), receive a one time wavier of one quarter's dues (signed by president and secretary-treasurer) and having a +5 in membership over its charter membership roster.

Respectfully submitted,
Fatima Plater, Member of the OI Board of Directors