
***BIG BROTHERS BIG SISTERS OF
EASTERN MISSOURI AND AFFILIATES***
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018



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Independent Auditors' Report

Board of Directors
Big Brothers Big Sisters of Eastern Missouri
St. Louis, Missouri

Report On The Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Big Brothers Big Sisters of Eastern Missouri and affiliates, all not-for-profit organizations (collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2018 and 2017, 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 audits 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 the Organization as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of Matter

The accompanying consolidated financial statements reflect the required implementation of Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Changes in the presentation of the consolidated financial statements are further described in Note 2. Our opinion is not modified with respect to this matter.

RubinBrown LLP

June 27, 2019

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

	December 31,	
	2018	2017
Cash and cash equivalents	\$ 1,200,310	\$ 975,245
Promises to give (Note 3)	2,435,279	2,261,250
Grants receivable	380,821	352,115
Other receivables (Note 5)	108,516	11,463
Prepaid expenses	11,945	7,530
Other assets	6,679	5,963
Investments (Note 4)	2,799,935	2,865,440
Investment in 501 North Grand Condominium Association (Note 2)	122,380	127,508
Property and equipment, net (Notes 5, 8 and 9)	11,775,370	12,136,215
Note and interest receivable (Note 6)	2,689,000	2,689,000
Assets restricted for permanent investment (Notes 3, 4 and 10)	55,472	55,472
Total Assets	\$ 21,585,707	\$ 21,487,201

Liabilities And Net Assets

Liabilities

Accounts payable and accrued expenses (Note 5)	\$ 311,710	\$ 218,059
Deferred revenue	36,790	51,662
Capital lease obligations (Note 8)	39,275	34,422
Debt (Note 9)	4,240,000	4,340,000
Total Liabilities	4,627,775	4,644,143

Net Assets

Without donor restrictions:		
Undesignated, available for operations	4,171,688	4,391,594
Invested in note and interest receivable	2,689,000	2,689,000
Invested in property and equipment, net	7,496,095	7,761,793
Total without donor restriction	14,356,783	14,842,387
With donor restrictions (Note 10)	2,601,149	2,000,671
Total Net Assets	16,957,932	16,843,058
Total Liabilities And Net Assets	\$ 21,585,707	\$ 21,487,201

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

	For The Years Ended December 31,					
	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support						
Contributions (Notes 13 and 15)	\$ 823,231	\$ 1,980,960	\$ 2,804,191	\$ 642,733	\$ 1,060,151	\$ 1,702,884
United Way allocation	—	528,131	528,131	830	536,337	537,167
Grants	1,777,041	—	1,777,041	1,752,320	—	1,752,320
In-kind contributions (Note 2)	211,594	—	211,594	201,710	—	201,710
Special events (net of direct expenses of \$42,767 and \$33,710 in 2018 and 2017, respectively)	211,112	—	211,112	212,521	—	212,521
Total Public Support	3,022,978	2,509,091	5,532,069	2,810,114	1,596,488	4,406,602
Revenues And Gains (Losses)						
Contract services - Amachi Initiative (Note 13)	20,400	—	20,400	20,400	—	20,400
Net investment income (loss) (Note 4)	(57,479)	7,241	(50,238)	304,490	2,548	307,038
Gain (loss) on equity method investment (Note 2)	(5,128)	—	(5,128)	7,364	—	7,364
Rental income (Note 12)	135,442	—	135,442	131,316	—	131,316
Anew revenue	196,721	—	196,721	174,540	—	174,540
Miscellaneous income	—	—	—	53,868	—	53,868
Total Revenues And Gains (Losses)	289,956	7,241	297,197	691,978	2,548	694,526
Net Assets Released From Restrictions (Note 10)	1,915,854	(1,915,854)	—	2,067,578	(2,067,578)	—
Total Public Support, Revenues And Gains (Losses)	5,228,788	600,478	5,829,266	5,569,670	(468,542)	5,101,128
Expenses						
Mentoring program	3,981,383	—	3,981,383	3,703,104	—	3,703,104
General and administrative	832,701	—	832,701	727,537	—	727,537
Fundraising	587,729	—	587,729	614,047	—	614,047
Volunteer mentor recruitment	323,209	—	323,209	197,259	—	197,259
Total Expenses	5,725,022	—	5,725,022	5,241,947	—	5,241,947
Increase (Decrease) In Net Assets From Operations	(496,234)	600,478	104,244	327,723	(468,542)	(140,819)
Other Gains						
Gain on involuntary conversion (Note 5)	10,630	—	10,630	—	—	—
Increase (Decrease) In Net Assets	(485,604)	600,478	114,874	327,723	(468,542)	(140,819)
Net Assets - Beginning Of Year	14,842,387	2,000,671	16,843,058	14,514,664	2,469,213	16,983,877
Net Assets - End Of Year	\$ 14,356,783	\$ 2,601,149	\$ 16,957,932	\$ 14,842,387	\$ 2,000,671	\$ 16,843,058

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

	For The Years Ended December 31,									
	2018					2017				
	Mentoring Program	General And Administrative	Fundraising	Volunteer Mentor Recruitment	Total	Mentoring Program	General And Administrative	Fundraising	Volunteer Mentor Recruitment	Total
Salaries	\$ 2,137,637	\$ 435,286	\$ 290,809	\$ 193,810	\$ 3,057,542	\$ 2,005,667	\$ 385,260	\$ 330,580	\$ 121,303	\$ 2,842,810
Payroll taxes	157,989	32,171	21,493	14,324	225,977	148,990	28,619	24,557	9,011	211,177
Employee benefits	288,434	58,734	39,239	26,151	412,558	267,306	51,346	44,058	16,167	378,877
Amachi Initiative*	20,970	—	20,970	—	41,940	19,897	—	19,896	—	39,793
Background checks	15,991	—	—	—	15,991	15,947	—	—	—	15,947
Bad debts	—	—	22,156	—	22,156	—	—	5,756	—	5,756
Conferences and travel	36,943	2,485	19,091	1,106	59,625	48,225	9,264	7,949	2,917	68,355
Depreciation and amortization (Note 5)	286,942	58,430	39,036	26,016	410,424	284,566	54,661	46,903	17,211	403,341
Equipment repairs	13,919	2,834	1,894	1,262	19,909	45,583	2,341	2,008	737	50,669
In-kind materials (Note 2)	196,606	—	—	—	196,606	199,529	—	—	—	199,529
Insurance	56,897	2,453	1,639	1,092	62,081	51,735	2,265	1,944	713	56,657
Interest (Notes 8 and 9)	51,555	10,498	7,014	4,674	73,741	61,318	11,778	10,106	3,708	86,910
Mileage	19,269	517	1,630	1,703	23,119	19,095	324	1,732	271	21,422
Miscellaneous	21,334	10,844	20,196	1,934	54,308	18,539	28,711	7,734	1,121	56,105
Occupancy	244,231	49,733	33,226	22,143	349,333	204,161	45,631	39,155	14,367	303,314
Organization dues	32,463	27,113	—	—	59,576	31,237	27,074	—	—	58,311
Postage	7,913	1,314	—	—	9,227	7,234	1,134	—	—	8,368
Printing	63,418	24,287	32,787	16,632	137,124	38,145	7,327	51,433	2,307	99,212
Professional fees:										
Accounting	—	54,907	—	—	54,907	—	45,860	—	—	45,860
Lobbying	18,000	—	18,000	—	36,000	—	—	—	—	—
Staffing	25,543	—	—	—	25,543	3,546	—	—	—	3,546
Other	103,490	45,092	7,857	5,236	161,675	64,501	11,858	8,150	2,991	87,500
Supplies and office	15,923	3,242	2,166	1,444	22,775	14,334	2,753	2,363	867	20,317
Telephone	20,181	4,109	2,746	1,830	28,866	19,695	3,783	3,246	1,191	27,915
Utilities	42,490	8,652	5,780	3,852	60,774	39,293	7,548	6,477	2,377	55,695
Volunteer activities	103,245	—	—	—	103,245	94,561	—	—	—	94,561
	\$ 3,981,383	\$ 832,701	\$ 587,729	\$ 323,209	\$ 5,725,022	\$ 3,703,104	\$ 727,537	\$ 614,047	\$ 197,259	\$ 5,241,947

* Expenses include lobbying (\$36,000 for both 2018 and 2017), conference and travel (\$3,673 and \$3,011 for 2018 and 2017, respectively) and printing (\$2,267 and \$782 for 2018 and 2017, respectively).

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS

	For The Years Ended December 31,	
	2018	2017
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 114,874	\$ (140,819)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Bad debt expense	22,156	5,756
Depreciation and amortization	410,424	403,341
Imputed interest on capital lease obligations	4,271	2,160
Gain on involuntary conversion	(10,630)	—
Realized gains on investments	—	(33,197)
Unrealized (gains) losses on investments	239,216	(124,588)
(Gain) loss on equity method investment	5,128	(7,364)
Changes in assets and liabilities:		
Promises to give	(358,387)	378,926
Grants receivable	(28,706)	118,183
Prepaid expenses	(4,415)	(2,982)
Interest receivable	—	6,872
Other receivables	(3,073)	14,713
Other assets	(716)	(4,463)
Accounts payable and accrued expenses	(329)	12,745
Deferred revenue	(14,872)	51,662
Net Cash Provided By Operating Activities	374,941	680,945
Cash Flows From Investing Activities		
Purchases of property and equipment	(11,704)	(646,904)
Proceeds from sale of investments	—	854,577
Purchases of investments	(174,711)	(125,633)
Net Cash Provided By (Used In) Investing Activities	(186,415)	82,040
Cash Flows From Financing Activities		
Collection of contributions restricted for endowment	1,000	6,000
Collection of contributions restricted for capital campaign	162,202	117,458
Repayment of debt borrowings	(100,000)	(940,000)
Principal payments on capital lease obligations	(26,663)	(23,900)
Net Cash Provided By (Used In) Financing Activities	36,539	(840,442)
Net Increase (Decrease) In Cash And Cash Equivalents	225,065	(77,457)
Cash And Cash Equivalents - Beginning Of Year	975,245	1,052,702
Cash And Cash Equivalents - End Of Year	\$ 1,200,310	\$ 975,245
Supplemental Disclosure Of Cash Flow Information		
Purchases of equipment under capital lease agreements	\$ 27,245	\$ 19,524
Property and equipment acquisitions, to be paid with insurance proceeds included in other receivables and accounts payable (Note 5)	93,980	—
Interest paid	73,741	86,910

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 And 2017

1. Organization And Operations

Big Brothers Big Sisters of Eastern Missouri (BBBSEMO) is a not-for-profit corporation organized to promote the welfare of children and to advance and promote public interest in children. BBBSEMO accomplishes this by providing professionally screened volunteers to serve as positive role models in one-to-one friendships with youth ages 5 to 25. BBBSEMO was founded locally in 1914 and serves youth residing in St. Louis City, St. Louis County, St. Charles County, Jefferson County, Scott County and Cape Girardeau and has offices in St. Louis City, St. Charles and Cape Girardeau.

Mentor Missouri, Inc. (Mentor Missouri) is a not-for-profit corporation formed by BBBSEMO on July 5, 2007, to promote and support the charitable activities of BBBSEMO. Mentor Missouri acts as a financial conduit for BBBSEMO to make investments which promote BBBSEMO's efforts to foster youth mentoring, as described in Note 14.

ABCToday Inc. (ABCToday) is a corporation formed by BBBSEMO on January 5, 2015, to promote, advance, and support education and educational outcomes for youth. ABCToday had no activity during 2018 or 2017.

BBBSEMO's primary sources of revenue are contributions and grants.

In addition, BBBSEMO is the recipient of a number of awards, including the following:

- For six years, 2013 to 2018, BBBSEMO has been named a Gold Standard Agency in recognition of demonstrated exemplary achievement and quality outcomes for the children and families served. This is an elite distinction achieved by only a small number of BBBS agencies.
- In 2018, BBBSEMO was named Agency of the Year by Big Brothers Big Sisters of America, our umbrella organization, which is made up of 300+ agencies nationwide. We are the sixth largest affiliate among Big Brothers Big Sisters agencies and one of the first affiliates to offer a comprehensive support model from ages 5 to 25.

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements (*Continued*)

2. Summary Of Significant Accounting Policies

Principles Of Consolidation

The accompanying consolidated financial statements include the accounts of BBBSEMO and its affiliates, Mentor Missouri and ABCToday (collectively, the Organization). Mentor Missouri and ABCToday are consolidated as a result of common control and economic interest by BBBSEMO. All significant inter-entity investments, transactions and account balances have been eliminated in consolidation.

Basis Of Accounting

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

Basis Of Presentation

Consolidated financial statement presentation follows guidance set forth by generally accepted accounting principles 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, the Organization is required to report information regarding its financial position and activities according to the following two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

New Accounting Standard Implementation

During 2018, the Organization implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Implementation is required for the Organization's fiscal year beginning after December 15, 2017. In accordance with the ASU, the consolidated statement of financial position presents two classes of net assets, rather than the previously required three classes. The two classes are "Net assets without donor restrictions" (previously "Unrestricted" net assets) and "Net assets with donor restrictions" (previously "Temporarily" and "Permanently" restricted net assets). The ASU also requires disclosure concerning the Organization's liquidity and presentation of expenses by both functional and natural classifications.

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements (*Continued*)

In accordance with the ASU's enhanced guidance on general and administrative and fundraising costs, the Organization has revised its functional expense allocation methodology, which resulted in certain expenses such as accounting professional fees and costs incurred as part of recruiting volunteer mentors to be re-allocated from program activities to general and administrative or fundraising/volunteer mentor recruitment activities. The Organization's unique mission requires a significant number of volunteer mentors to guarantee a 1:1 match between each Big and Little. As of December 31, 2018, the Organization had 1,659 active Bigs. Therefore, significant volunteer mentor recruitment costs are incurred to recruit the 530 new Bigs matched during 2018 alone. As part of adoption of the ASU, volunteer mentor recruitment costs were reclassified from program to fundraising/volunteer mentor recruitment activities on the consolidated statements of functional expenses. Due to the significance of the change in the allocation methodology, the 2017 consolidated statement of functional expense has been restated to reflect this methodology as follows:

	December 31, 2017			
	As Previously			
	Reported		As Restated	
Mentoring program	\$ 4,191,840	80%	\$ 3,703,104	71%
General and administrative	440,932	8%	727,537	14%
Fundraising	609,175	12%	614,047	12%
Volunteer mentor recruitment	—	0%	197,259	4%
	<u>\$ 5,241,947</u>		<u>\$ 5,241,947</u>	

Estimates And Assumptions

Management uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash And Cash Equivalents

Cash and cash equivalents include highly liquid short-term investments with original maturities of three months or less.

The Organization maintains cash and cash equivalents at financial institutions with strong credit ratings. At times, such investments may be in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits of \$250,000 per financial institution. At December 31, 2018, cash and cash equivalents in excess of FDIC insurance limits approximated \$472,000.

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements *(Continued)*

Promises To Give And Grants Receivable

Unconditional promises to give are recognized as support in the period the promises are received and are recorded at the present value of the estimated future cash flow. Conditional promises to give, which depend on specified future and uncertain events, are recognized as support when the conditions upon which they depend are substantially met.

Grants receivable, consisting of grants from federal and nonfederal government agencies, are recognized as revenue in the period the grants are earned.

Promises to give and grants receivable are stated at the amount management expect to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Those 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 the receivable. Management believes that no valuation allowances are necessary for promises to give or grants receivable at December 31, 2018 or 2017.

Investments

Investments are reported at fair value. The fair values of securities are based on quoted market prices on national exchanges. Investments for which quoted market prices are not available are carried at estimated realizable values as determined by the investment manager and reviewed by management. Gains and losses on sales of investments are determined on the average cost 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 such changes could materially affect the amounts reported in the consolidated statement of financial position.

Investment In 501 North Grand Condominium Association

BBBSEMO is a member of 501 North Grand Condominium Association, an entity established to manage, operate and maintain the building. This investment is carried at cost adjusted for BBBSEMO's share of earnings or losses subsequent to acquisition (i.e. the equity method).

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements *(Continued)*

The following is a summary of selected financial information for this entity:

	As Of December 31, 2018			As Of December 31, 2017		
	Total	Total	Total	Total	Total	Total
	Assets	Liabilities	Equity	Assets	Liabilities	Equity
501 North Grand						
Condominium Association	\$ 163,654	\$ 45,116	\$ 118,538	\$ 159,828	\$ 34,279	\$ 125,549

		For The Years Ended December 31,					
		2018			2017		
		Revenues	Net Loss	Allocated Share Of Loss	Revenues	Net Income	Allocated Share Of Income
Ownership Interest							
501 North Grand							
Condominium							
Association	73.13%	\$ 223,667	\$ (7,011)	\$ (5,128)	\$ 221,997	\$ 10,070	\$ 7,364

Property And Equipment

Property and equipment acquired in excess of \$2,000 are carried at cost if purchased or fair value at date of donation, less accumulated depreciation and amortization computed using the straight-line method over the following estimated useful lives:

Building	40 years
Building improvements	30 years
Computer equipment	3 - 7 years
Software	5 years
Furniture and fixtures	7 - 15 years

Assets held under capital leases are recorded at the lesser of the net present value of the minimum lease payments or the fair value of the leased assets at the inception of the lease. Amortization expense is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease.

The Organization incurred no costs in the development of the ABC Intelligence tool during the year ended December 31, 2018 or 2017. The Organization expenses all development costs incurred until technological feasibility has been established, which has not occurred as of December 31, 2018.

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements *(Continued)*

Note And Interest Receivable

Note and interest receivable is stated at the amount management expects to collect from balances outstanding at year end. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of the note. Management's periodic evaluation of the adequacy of the allowance is based on the note's past performance, known and other inherent risks, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current economic conditions. Balances still outstanding after management has used reasonable collection efforts will be written off through a charge to the valuation allowance and a credit to note and interest receivable. Based on management's assessment of its credit history and current relationship with the borrower, management does not believe an allowance is necessary as of December 31, 2018 or 2017.

Donated Services And Facilities

The donated use of facilities and donated materials are recorded at fair value at the date of donation.

The Organization periodically receives materials, including supplies and tickets to cultural and sporting events, which are used in the mentoring program. The fair values of donated materials totaled \$211,594 and \$201,710 in 2018 and 2017, respectively, and are included in in-kind materials on the consolidated statement of functional expenses.

Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are performed by individuals possessing these skills, and would typically need to be purchased if not provided by donation. No donated services were received in 2018 or 2017.

The Organization generates numerous volunteer hours each year that add a dimension to the quality of life for individuals served by the Organization over and above the amount provided by salaried personnel. These donated services have not been recognized as contributions in the consolidated financial statements since the aforementioned recognition criteria, as stated by generally accepted accounting principles, were not met.

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements (*Continued*)

Restricted And Unrestricted Support

The Organization 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. The Organization has adopted the policy of reporting net assets released from restrictions upon completion of the donor purpose restriction, regardless of whether the related cash has been received.

Description Of Program Services And Supporting Activities

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

Program Services

Mentoring Program: BBBSEMO is the oldest and largest one-to-one mentoring organization in the state of Missouri. Additionally, with more than 2,250 young people served annually in one-to-one mentoring relationships, BBBSEMO is the 6th largest affiliate in the Big Brothers Big Sisters of America (BBBS) federation of 280 agencies.

Supporting Activities

General And Administrative: Provides the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of the Organization's program strategy, secure proper administrative functioning of the Board of Directors, maintain competent legal services for the program administration of the Organization, and manage the financial and budgetary responsibilities of the Organization.

Fundraising: Provides the structure necessary to encourage and secure private financial support from individuals, organizations, corporations, and public agencies for operations.

Volunteer Mentor Recruitment: Provides the structure and support necessary to recruit volunteer mentors ("Bigs") which allow the Organization to carry out its mission.

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements *(Continued)*

Functional Expense Allocation

Expenses which are directly identifiable as related to specific functions such as background checks, bad debts, in-kind materials, interest, accounting and staffing professional fees and volunteer activities are charged directly to those specific functions. Expenses such as salaries, payroll taxes, employee benefits, depreciation and amortization, equipment repairs, insurance, occupancy, supplies and office, telephone and utilities are allocated to multiple functions based on an analysis of personnel time and related activities. Amachi Initiative, conferences and travel, mileage, miscellaneous, organization dues, postage, printing and lobbying and other professional fees are allocated to multiple functions based on the nature of the expenditure.

Tax Status

BBBSEMO and Mentor Missouri are exempt from federal income taxes on related, exempt income under Section 501(c)(3) of the Internal Revenue Code.

The Organization's federal tax returns for tax years 2015 and later remain subject to examination by taxing authorities.

Reclassifications

Certain 2017 balances have been reclassified, where appropriate, to conform to the presentation used in the 2018 consolidated financial statements.

Subsequent Events

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

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements *(Continued)*

3. Promises To Give

Promises to give are collectible as follows:

	2018	2017
Less than one year		
United Way	\$ 497,563	\$ 507,934
Building rooftop project	154,395	196,597
Capital campaign	8,500	10,500
Endowment	—	1,000
Other	1,246,254	1,038,279
	<u>1,906,712</u>	<u>1,754,310</u>
One to five years		
Building rooftop project	54,000	172,000
Other	488,663	348,091
	<u>542,663</u>	<u>520,091</u>
Discount to record promise to give at present value	<u>(14,096)</u>	<u>(12,151)</u>
	<u>\$ 2,435,279</u>	<u>\$ 2,262,250</u>

A discount rate of 2% has been used to record the promises to give at the present value of estimated future cash flows.

Promises to give are reflected on the consolidated statement of financial position as follows:

	2018	2017
Promises to give	\$ 2,435,279	\$ 2,261,250
Assets restricted for permanent investment	—	1,000
	<u>\$ 2,435,279</u>	<u>\$ 2,262,250</u>

**BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI
AND AFFILIATES**

Notes To Consolidated Financial Statements (*Continued*)

4. Investments

Investments consist of the following:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Mutual funds:				
World stock	\$ 283,745	\$ 263,461	\$ 260,265	\$ 301,607
Large cap growth	330,073	385,649	304,104	382,961
Large cap blend	462,181	455,391	419,507	495,820
Large cap value	546,444	577,054	504,737	591,775
Ultrashort bonds	60,233	60,172	52,653	53,144
Short-term bonds	396,966	396,643	389,327	390,180
Intermediate-term bonds	620,573	579,077	599,400	569,110
Nontraditional bonds	113,585	110,256	109,818	108,126
Debt securities:				
Corporate bonds	100,035	27,704	99,313	27,189
	<u>\$ 2,913,835</u>	<u>2,855,407</u>	<u>\$ 2,739,124</u>	<u>2,919,912</u>
Less: Assets restricted for permanent investment (Note 10)		<u>55,472</u>		<u>54,472</u>
		<u>\$ 2,799,935</u>		<u>\$ 2,865,440</u>

Investments are allocated within the net asset classes as follows:

	2018	2017
Without donor restrictions	\$ 2,792,694	\$ 2,862,394
With donor restrictions:		
Earnings on assets restricted for endowment	7,241	3,046
Assets restricted for endowment	<u>55,472</u>	<u>54,472</u>
	<u>\$ 2,855,407</u>	<u>\$ 2,919,912</u>

Net investment income (loss) consists of the following:

	2018	2017
Interest and dividends	\$ 203,626	\$ 166,127
Realized gains on sale of investments	—	33,197
Unrealized gains (losses) on investments	(239,216)	124,588
Investment management fees	<u>(14,648)</u>	<u>(16,874)</u>
	<u>\$ (50,238)</u>	<u>\$ 307,038</u>

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements (*Continued*)

In 2018 and 2017, interest and dividends above include \$27,263 of interest income on the note receivable (Note 6).

The Organization accounts for investments at fair value as required by generally accepted accounting principles. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The valuation techniques are required to maximize the use of observable inputs and minimize the use of unobservable inputs.

There are three general valuation techniques that may be used to measure fair value, as described below:

- *Market approach* - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- *Cost approach* - Based on the amount that currently would be required to replace the service capacity of an asset.
- *Income approach* - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts.

Investments measured and reported at fair value are classified and disclosed in one of the following three categories:

- | | |
|----------------|---|
| <i>Level 1</i> | Quoted prices that are readily available in active markets/ exchanges for identical investments. |
| <i>Level 2</i> | Pricing inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly. |
| <i>Level 3</i> | Significant pricing inputs that are unobservable for the investment and includes investments for which there is little, if any, market activity for the investment. |

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements (*Continued*)

The following are the major categories of assets measured at fair value on a recurring basis during the years ended December 31:

	2018			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
World stock	\$ 263,461	\$ —	\$ —	\$ 263,461
Large cap growth	385,649	—	—	385,649
Large cap blend	455,391	—	—	455,391
Large cap value	577,054	—	—	577,054
Ultrashort bonds	60,172	—	—	60,172
Short-term bonds	396,643	—	—	396,643
Intermediate-term bonds	579,077	—	—	579,077
Nontraditional bonds	110,256	—	—	110,256
Debt securities:				
Corporate bonds	—	27,704	—	27,704
	\$ 2,827,703	\$ 27,704	\$ —	\$ 2,855,407

	2017			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
World stock	\$ 301,607	\$ —	\$ —	\$ 301,607
Large cap growth	382,961	—	—	382,961
Large cap blend	495,820	—	—	495,820
Large cap value	591,775	—	—	591,775
Ultrashort bonds	53,144	—	—	53,144
Short-term bonds	390,180	—	—	390,180
Intermediate-term bonds	569,110	—	—	569,110
Nontraditional bonds	108,126	—	—	108,126
Debt securities:				
Corporate bonds	—	27,189	—	27,189
	\$ 2,892,723	\$ 27,189	\$ —	\$ 2,919,912

Investments carried at fair value are categorized as Level 1 for fair value purposes, except for corporate bonds which are categorized as Level 2. These assets utilize the following valuation techniques and inputs:

Corporate bonds: The fair value of investments in corporate bonds is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker-dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options.

During 2018 and 2017, there were no changes in the methods and/or assumptions utilized to derive the fair value of the Organization's assets.

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements (*Continued*)

5. Property And Equipment

Property and equipment consists of:

	2018	2017
Land	\$ 91,000	\$ 91,000
Building and building improvements (Note 14)	12,421,681	12,415,900
Computer equipment and software	229,835	245,346
Furniture and fixtures	613,962	658,468
	13,356,478	13,410,714
Less: Accumulated depreciation and amortization	1,581,108	1,274,499
	<u>\$ 11,775,370</u>	<u>\$ 12,136,215</u>

Depreciation and amortization charged to expense amounted to \$410,424 and \$403,341 in 2018 and 2017, respectively.

During 2018, a portion of the building sustained water damage resulting in the recognition of a gain from involuntary conversion as well as an impairment of previously capitalized building costs. The previously capitalized building costs had a net book value on \$83,350, resulting in a gain on involuntary conversion of \$10,630. Repair costs totaled \$93,980 and remained payable as of December 31, 2018. Insurance proceeds in the amount of \$93,980 were awarded and are included in other receivables on the consolidated statement of financial position. These proceeds were received in 2019.

6. Note And Interest Receivable

At December 31, 2018 and 2017, note and interest receivable consists of a \$2,689,000 note receivable from USBCDC Investment Fund 175, LLC (the Investment Fund) to Mentor Missouri with an origination date of August 2, 2016. During the year ended December 31, 2016, \$2,689,000 was loaned to the Investment Fund. The note accrues interest at an annual rate of 1%, with quarterly payments of accrued interest due. Commencing March 10, 2024, quarterly principal and interest payments of \$33,344 shall be due with the final payment of principal and accrued interest due on the note's maturity on August 1, 2046. The note is secured primarily by the Investment Fund's membership interest in St. Louis New Markets Tax Credit Fund 42, LLC. No accrued interest was outstanding as of December 31, 2018 or 2017.

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements *(Continued)*

7. Line Of Credit

The Organization has a line of credit with a bank with maximum borrowings of \$1,200,000. This line of credit is secured by substantially all assets of BBBSEMO. Borrowing under the original line of credit bore interest at a rate equal to the LIBOR monthly rate plus 2.25%. The line of credit was renewed in July 2016 with new terms including bearing interest at the LIBOR monthly rate plus 1.95% (4.46% at December 31, 2018) and maturing in July 2018. In July 2018, the line of credit was renewed under the same terms and matures in August 2019. There was no outstanding balance at December 31, 2018 or 2017.

No interest expense was incurred during 2018 or 2017.

8. Capital Lease Obligations

The Organization has leases for computer equipment, which are accounted for as capital leases, expiring at dates through April 2021. The assets and liabilities under these capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. Amortization of assets under capital leases is included in depreciation and amortization expense.

Following is a summary of equipment held under capital leases:

	<u>2018</u>	<u>2017</u>
Computer equipment	\$ 81,792	\$ 54,547
Less: Accumulated amortization	(43,294)	(21,918)
	<u>\$ 38,498</u>	<u>\$ 32,629</u>

The interest rates on the capitalized leases range from 7.4% to 10.4%, which were imputed based on the lower of the Organization's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return. Imputed interest on these capital lease obligations was \$4,271 and \$2,160 in 2018 and 2017, respectively. The capital leases allow for a purchase option representing the expected fair value of the equipment at the expiration of the lease terms.

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements *(Continued)*

Future minimum lease payments under the capital leases as of December 31, 2018 are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 23,120
2020	17,571
2021	2,651
Total minimum lease payments	43,342
Less: Amounts representing interest	4,067
Present value of minimum lease payments	<u>\$ 39,275</u>

9. Debt

Loan financing was provided by a bank under a loan commitment of \$800,000. At December 31, 2016, \$140,000 was outstanding. This note was secured by non-real estate assets and bore interest at the LIBOR monthly rate plus 1.95%. Under the loan agreement, principal payments were due in two installments: \$140,000 was due in January 2016 and the remaining principal and accrued interest balance was due upon the original maturity in July 2016. In July 2016, the loan was refinanced under similar terms except for a change in future loan payments. The remaining principal of \$140,000 as well as any accrued interest were due in January 2017. The loan was paid in full in January 2017 at maturity. Interest expense amounted to \$351 in 2017.

During 2015, the Organization obtained additional financing from a bank with maximum borrowings of \$2,500,000. This note is secured by substantially all assets of BBBSEMO. Borrowing under the note bears interest at a rate equal to the LIBOR monthly rate plus 1.95% (4.46% at December 31, 2018), and interest payments are due monthly. Beginning in July 2017, the note requires annual principal payments of one-sixth of the outstanding principal balance as of July 27, 2017 (which was \$900,000), with all outstanding interest and principal due in July 2022. In addition to the required \$150,000 principal payment, the Organization also made a \$400,000 principal payment in July 2017 and a \$250,000 principal payment in November 2017. In February 2018, a principal payment of \$100,000 was made. As a result of these payments, the loan amortization schedule was adjusted accordingly. During 2018 and 2017, \$16,521 and \$31,450, respectively, of interest expense was incurred. At December 31, 2018 and 2017, \$400,000 and \$500,000, respectively, was outstanding.

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements *(Continued)*

Future required principal payments on this note are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ —
2020	100,000
2021	150,000
2022	150,000
	<u>\$ 400,000</u>

During August 2016, loan financing was provided by St. Louis New Markets Tax Credit Fund 42, LLC (the Tax Credit Fund) under a loan commitment of \$3,840,000 to finance the construction and renovation of the Organization's restaurant and rooftop spaces. This loan is secured primarily by a security interest and lien in all of the Organization's personal property and fixtures within these spaces and a right to the revenues generated from these spaces. This loan bears interest at a rate of 1.36% per annum with quarterly interest payments due. Commencing March 1, 2024, quarterly principal and interest payments of \$34,652 shall be due, with a final principal and interest payment due upon the loan's maturity on August 1, 2046. This loan may not be prepaid in whole or in part at any time prior to December 30, 2022. On a semi-annual basis, the Organization must certify to the Tax Credit Fund the Organization's compliance with New Markets Tax Credit (NMTC) compliance requirements, including that the Organization remains a Qualified Active Low-Income Community Business (QALICB). At December 31, 2018 and 2017, principal of \$3,840,000 was outstanding. Interest incurred and paid during 2018 and 2017 amounted to \$52,949.

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements *(Continued)*

10. Net Assets

Net assets with donor restrictions as of December 31 consist of the following:

	2018	2017
Purpose Restricted:		
Mentoring program	\$ 1,452,689	\$ 904,717
United Way allocation	30,568	28,404
Unappropriated endowment earnings	7,241	3,046
	<u>1,490,498</u>	<u>936,167</u>
Time Restricted:		
United Way allocation	466,995	479,530
Corporate contributions	417,424	352,250
Multi-year promises to give (net of discounts of \$14,095 and \$12,152, respectively)	170,760	177,252
	<u>1,055,179</u>	<u>1,009,032</u>
Assets restricted for endowment	<u>55,472</u>	<u>55,472</u>
	<u>\$ 2,601,149</u>	<u>\$ 2,000,671</u>

Net assets were released from net assets with donor-imposed restrictions as follows:

	2018	2017
Purpose Restrictions:		
Mentoring program	\$ 940,258	\$ 1,126,681
United Way allocation	58,972	55,904
	<u>999,230</u>	<u>1,182,585</u>
Time Restrictions:		
United Way allocation	479,530	487,931
Corporate contributions	334,250	315,500
Multi-year promises to give	102,844	81,562
	<u>916,624</u>	<u>884,993</u>
	<u>\$ 1,915,854</u>	<u>\$ 2,067,578</u>

Net Assets Restricted For Endowment

The Organization's endowment consists of a donor-restricted endowment fund established to fund the operations, capital and scholarship activities of the Organization. As required by accounting standards, assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements *(Continued)*

Interpretation Of Relevant Law

The Organization is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies earnings amounts in its donor-restricted endowment fund as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Some of those earnings also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors of the Organization has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment fund, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. Additionally, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund,
- 2) The purposes of the Organization and the donor-restricted endowment fund,
- 3) General economic conditions,
- 4) The possible effect of inflation and deflation,
- 5) The expected total return from income and the appreciation of investments,
- 6) Other resources of the Organization, and
- 7) The investment policies of the Organization.

Endowment Asset Composition By Type Of Fund As Of December 31:

	2018		
	With Donor Restrictions		
	Earnings	Principal	Total
Donor-restricted endowment fund	\$ 7,241	\$ 55,472	\$ 62,713

	2017		
	With Donor Restrictions		
	Earnings	Principal	Total
Donor-restricted endowment fund	\$ 3,046	\$ 54,472	\$ 57,518

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements *(Continued)*

Changes In Endowment Assets:

	With Donor Restrictions		
	Earnings	Principal	Total
Endowment assets - January 1, 2017	\$ 498	\$ 48,472	\$ 48,970
Proceeds from contributions restricted for endowment	—	6,000	6,000
Investment return	2,548	—	2,548
Endowment assets - December 31, 2017	3,046	54,472	57,518
Proceeds from contributions restricted for endowment	—	1,000	1,000
Investment return	7,241	—	7,241
Appropriation of endowment assets for expenditure	(3,046)	—	(3,046)
Endowment assets - December 31, 2018	\$ 7,241	\$ 55,472	\$ 62,713

Funds With Deficiencies

From time to time, the fair value of assets associated with the donor-restricted endowment fund may fall below the level that the donors require the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature related to market fluctuations are reported in net assets with donor restrictions. There were no such deficiencies as of December 31, 2018 or 2017.

Return Objectives And Risk Parameters

The goals of the Organization's investment policy are to manage the Organization's investment portfolio for preservation of capital with a small portion invested in the equity market. Specifically, the investment policy shall offer the necessary guidelines to attain the following goals and objectives: a) safety of funds invested; b) adequate liquidity through marketability and appropriate schedules of maturing investments; c) reasonable total return on all funds invested; and d) full employment of all available funds in earning assets.

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements *(Continued)*

Strategies Employed For Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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). The Organization targets a diversified asset allocation of 60% allocated to treasuries, government bonds, CDs and/or AAA corporate paper and 40% allocated to balanced mutual funds including exchange traded funds, I shares, and index funds.

Spending Policy And How The Investment Objectives Relate To Spending Policy

The Organization's investment and spending policies are designed to preserve the value of endowment assets against inflation. The current spending policy is a draw of five percent of the average of the previous 12 quarters' ending endowment value. The minimum draw rate is 4% of the average of the previous 12 quarters' ending endowment value and the maximum draw rate is 6% of the average of the previous 12 quarters' ending endowment value.

11. Employee Retirement Plan

The Organization's employees may be eligible to receive pension benefits under a 401(k) retirement plan. Employees who have one year of service and are age 18 or older are eligible to receive employer contributions. The Organization provides a matching contribution up to 3% of the employee's salary deferral. Employer contributions to the plan were \$61,031 and \$56,900 for the years ended December 31, 2018 and 2017, respectively.

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements *(Continued)*

12. Lease Commitments

The Organization leases office space in St. Peters, Missouri and Cape Girardeau, Missouri under operating leases expiring on various dates through 2020.

At December 31, 2018, future minimum lease payments under noncancellable operating leases are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 21,462
2020	1,500
	<u>\$ 22,962</u>

Rent expense under operating leases was \$31,848 for the years ended December 31, 2018 and 2017.

Since the acquisition of the building in 2014, the Organization has been negotiating a lease agreement with the building's existing tenant. In 2017, a lease agreement was executed through March 2018. In April 2018, the agreement was amended to extend the maturity through March 2019. In March 2019, the agreement was again amended to extend the maturity through March 2021. \$135,442 and \$131,316 of rental income was recognized from this tenant in 2018 and 2017, respectively. Future minimum rents to be received, based on this lease agreement, are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 141,225
2020	134,693
2021	37,063
	<u>\$ 312,981</u>

13. Related Party Transactions

The Organization coordinates the Amachi Initiative for the state of Missouri with other Big Brothers Big Sisters affiliates in Missouri. The Organization incurs costs related to this Initiative and charges fees to the other agencies in proportion to their share of the revenues. The Organization receives the funds from the state and distributes to the other agencies accordingly. No amount was due at December 31, 2018 or 2017.

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements (*Continued*)

The Organization receives a significant amount of support from its Board of Directors (including their related organizations and companies). Such support totaled approximately \$461,000 and \$521,000 during 2018 and 2017, respectively.

14. Building Project

On August 2, 2016, BBBSEMO and its affiliate, Mentor Missouri, entered into a New Markets Tax Credit (NMTC) transaction to provide funds for the expansion of the existing building and to complete the Organization's vision for the building to serve as a community gathering place by constructing a rooftop restaurant and event space. This was accomplished through the Organization's fundraising efforts, borrowings from outside lenders, and borrowings from the Tax Credit Fund as described in Note 9.

The transaction also included a guaranty agreement on behalf of US Bancorp Community Development Corporation (USBCDC) and a put and call agreement with USBCDC as described below.

BBBSEMO is a Qualified Active Low-Income Community Business (QALICB). As a result, BBBSEMO guarantees New Markets Tax Credit (NMTC) compliance in connection with the loan obtained from St. Louis New Markets Tax Credit Fund 42, LLC (Note 9) to prevent recapture of these credits. In addition, BBBSEMO has made other guarantees for the benefit of USBCDC, such as payment of the NMTC Guaranteed Amount and environmental indemnification. The maximum potential amount of future payments cannot readily be determined due to the nature of these guarantees.

BBBSEMO entered into a Put and Call Agreement with USBCDC, which includes both a "put" and a "call" option. These options are expected to be exercised and will ultimately result in BBBSEMO owning USBCDC's interest in USBCDC Investment Fund 75, LLC, including the note receivable from Mentor Missouri (Note 6), as well as the debt to BBBSEMO (Note 9). This ownership acquisition will allow BBBSEMO to "collapse" the NMTC deal, repaying all outstanding obligations with no additional capital outlay.

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements *(Continued)*

15. Concentrations

In 2018, the Organization received approximately 31% of its total public support from three donors.

In 2017 the Organization received approximately 23% of its total public support from one donor.

16. Liquidity And Availability Of Resources

At December 31, the Organization has the following financial assets available for general expenditures in the next year:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,200,310	\$ 975,245
Promises to give	2,435,279	2,261,250
Grants receivable	380,821	352,115
Other receivables	108,516	11,463
Prepaid expenses	11,945	7,530
Other assets	6,679	5,963
Investments	2,799,935	2,865,440
Total financial assets	6,943,485	6,479,006
Less: Amounts subject to donor restrictions	(2,545,677)	(1,945,199)
	<u>\$ 4,397,808</u>	<u>\$ 4,533,807</u>

The Organization regularly monitors liquidity required to meet its operating needs and contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, mutual funds and bonds, and a line of credit. As part of our liquidity management plan, we invest excess cash in short-term investments.



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Independent Auditors' Report On Supplementary Information

Board of Directors
Big Brothers Big Sisters of Eastern Missouri
St. Louis, Missouri

We have audited the consolidated financial statements of Big Brothers Big Sisters of Eastern Missouri and affiliates as of and for the years ended December 31, 2018 and 2017, and our report thereon dated June 27, 2019, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidated Operating Results Comparison (With 2019 Budget) and the Community And Children's Resource Board Of St. Charles County - Schedule of Project Unit Costs, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements.

The Consolidated Operating Results Comparison (With 2019 Budget) 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.

The Community And Children's Resource Board Of St. Charles County - Schedule of Project Unit Costs was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information, except for the total units served, has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole. The total units served have 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 them.

RubinBrown LLP

June 27, 2019

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

CONSOLIDATED OPERATING RESULTS COMPARISON (WITH 2019 BUDGET)

	2019 Budget (Unaudited)	Consolidated Statement Of Activities	
		2018	2017
Public Support, Revenues And Gains (Losses)			
Contributions	\$ 2,359,000	\$ 2,804,191	\$ 1,702,884
United Way allocation	534,000	528,131	537,167
Grants	1,785,000	1,777,041	1,752,320
In-kind contributions	—	211,594	201,710
Special events (net)	250,000	211,112	212,521
Contract services - Amachi Initiative	40,000	20,400	20,400
Net investment income (loss)	75,000	(50,238)	307,038
Gain (loss) on equity method investment	—	(5,128)	7,364
Earned income	300,000	332,163	359,724
Total Public Support, Revenues And Gains (Losses)	5,343,000	5,829,266	5,101,128
Expenses			
Salaries	3,443,000	3,057,542	2,842,810
Payroll taxes	250,000	225,977	211,177
Employee benefits	496,000	412,558	378,877
Amachi Initiative	40,000	41,940	39,793
Background checks	16,000	15,991	15,947
Bad debts	—	22,156	5,756
Conferences and travel	80,000	59,625	68,355
Depreciation and amortization	—	410,424	403,341
Equipment repairs	—	19,909	50,669
In-kind materials	—	196,606	199,529
Insurance	66,000	62,081	56,657
Interest	30,000	73,741	86,910
Mileage	23,000	23,119	21,422
Miscellaneous	38,000	54,308	56,105
Occupancy	440,000	349,333	303,314
Organization dues	113,000	59,576	58,311
Postage	10,000	9,227	8,368
Printing	250,000	137,124	99,212
Professional fees			
Accounting	48,000	54,907	45,860
Consulting	135,000	—	—
Lobbying	55,000	36,000	—
Staffing	—	25,543	3,546
Other	112,000	161,675	87,500
Supplies and office	23,000	22,775	20,317
Telephone	30,000	28,866	27,915
Utilities	—	60,774	55,695
Volunteer activities	60,000	103,245	94,561
Total Expenses	5,758,000	5,725,022	5,241,947
Increase (Decrease) In Net Assets From Operations	\$ (415,000)	\$ 104,244	\$ (140,819)

**BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI
AND AFFILIATES**

**COMMUNITY AND CHILDREN'S RESOURCE BOARD OF
ST. CHARLES COUNTY - SCHEDULE OF PROJECT UNIT COSTS**

	<u>Project Community Based Services</u>
Project Expenses	
Direct Project Expenses:	
1. Salaries	\$ 12,061
2. Employee benefits	1,627
3. Payroll taxes	891
4. Occupancy	1,389
5. Telephone	114
6. Utilities	240
7. Supplies	90
8. Client volunteer activities	407
9. Background checks	778
10. Mileage	91
11. Postage	36
12. Printing	541
13. Equipment repairs	68
14. Insurance	245
15. Conferences, meetings, and travel	235
16. Total Direct Project Expenses	<u>18,813</u>
Indirect (Administrative) Expenses:	
17. Depreciation	1,619
18. Interest	356
19. Miscellaneous	88
20. Organization dues and subscriptions	235
21. Professional services - Accounting	216
22. Professional services - Other	638
23. Total Indirect Project Expenses	<u>3,152</u>
24. Total Project Expenses	<u>\$ 21,965</u>
25. Total Units Served	<u>714</u>
Cost Per Unit: Line 24/25	<u>\$ 30.76</u>