
***BIG BROTHERS BIG SISTERS OF
EASTERN MISSOURI AND AFFILIATES***
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019



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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, 2019 and 2018, 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, 2019 and 2018, 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

As discussed in Note 2, during 2019, Big Brothers Big Sisters of Eastern Missouri adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-19, *Revenue from Contracts with Customers* and ASU No. 2018-18, *Not-For-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

RubinBrown LLP

June 26, 2020

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

	December 31,	
	2019	2018
Cash and cash equivalents	\$ 1,463,306	\$ 1,200,310
Promises to give (Note 3)	2,039,476	2,435,279
Grants receivable (Note 2)	319,612	380,821
Other receivables (Note 5)	64,735	108,516
Prepaid expenses	3,916	11,945
Other assets	12,488	6,679
Investments (Note 4)	2,664,716	2,799,935
Investment in 501 North Grand Condominium Association (Note 2)	116,812	122,380
Property and equipment, net (Notes 5, 8 and 9)	11,420,792	11,775,370
Note and interest receivable (Note 6)	2,689,000	2,689,000
Assets restricted for permanent investment (Notes 4 and 10)	55,472	55,472
Total Assets	\$ 20,850,325	\$ 21,585,707

Liabilities And Net Assets

Liabilities		
Accounts payable and accrued expenses (Note 5)	\$ 221,012	\$ 311,710
Deferred revenue	3,365	36,790
Capital lease obligations (Note 8)	19,046	39,275
Debt (Note 9)	4,090,000	4,240,000
Total Liabilities	4,333,423	4,627,775
Net Assets		
Without donor restrictions:		
Undesignated, available for operations	4,042,739	4,265,668
Invested in note and interest receivable	2,689,000	2,689,000
Invested in property and equipment, net	7,302,591	7,402,115
Total without donor restrictions	14,034,330	14,356,783
With donor restrictions (Note 10)	2,482,572	2,601,149
Total Net Assets	16,516,902	16,957,932
Total Liabilities And Net Assets	\$ 20,850,325	\$ 21,585,707

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

	For The Years Ended December 31,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support						
Contributions (Notes 13 and 15)	\$ 714,346	\$ 1,588,085	\$ 2,302,431	\$ 823,231	\$ 1,980,960	\$ 2,804,191
United Way allocation	682	500,253	500,935	—	528,131	528,131
Grants	1,791,540	—	1,791,540	1,777,041	—	1,777,041
In-kind contributions (Note 2)	212,161	—	212,161	211,594	—	211,594
Special events (net of direct expenses of \$33,022 and \$42,767 in 2019 and 2018, respectively)	120,168	—	120,168	211,112	—	211,112
Total Public Support	2,838,897	2,088,338	4,927,235	3,022,978	2,509,091	5,532,069
Revenues And Gains (Losses)						
Contract services - Amachi Initiative (Note 13)	20,399	—	20,399	20,400	—	20,400
Net investment income (loss) (Note 4)	379,383	3,107	382,490	(57,479)	7,241	(50,238)
Loss on equity method investment (Note 2)	(5,568)	—	(5,568)	(5,128)	—	(5,128)
Rental income (Note 12)	141,226	—	141,226	135,442	—	135,442
Anew revenue	116,970	—	116,970	196,721	—	196,721
Total Revenues And Gains (Losses)	652,410	3,107	655,517	289,956	7,241	297,197
Net Assets Released From Restrictions (Note 10)	2,210,022	(2,210,022)	—	1,915,854	(1,915,854)	—
Total Public Support, Revenues And Gains (Losses)	5,701,329	(118,577)	5,582,752	5,228,788	600,478	5,829,266
Expenses						
Mentoring program	4,259,973	—	4,259,973	3,981,383	—	3,981,383
General and administrative	841,104	—	841,104	832,701	—	832,701
Fundraising	552,943	—	552,943	587,729	—	587,729
Volunteer mentor recruitment	369,762	—	369,762	323,209	—	323,209
Total Expenses	6,023,782	—	6,023,782	5,725,022	—	5,725,022
Increase (Decrease) In Net Assets From Operations	(322,453)	(118,577)	(441,030)	(496,234)	600,478	104,244
Other Gains						
Gain on involuntary conversion (Note 5)	—	—	—	10,630	—	10,630
Increase (Decrease) In Net Assets	(322,453)	(118,577)	(441,030)	(485,604)	600,478	114,874
Net Assets - Beginning Of Year	14,356,783	2,601,149	16,957,932	14,842,387	2,000,671	16,843,058
Net Assets - End Of Year	\$ 14,034,330	\$ 2,482,572	\$ 16,516,902	\$ 14,356,783	\$ 2,601,149	\$ 16,957,932

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

	For The Years Ended December 31,									
	2019					2018				
	Mentoring Program	General And Administrative	Fundraising	Volunteer Mentor Recruitment	Total	Mentoring Program	General And Administrative	Fundraising	Volunteer Mentor Recruitment	Total
Salaries	\$ 2,318,300	\$ 445,251	\$ 301,707	\$ 219,261	\$ 3,284,519	\$ 2,137,637	\$ 435,286	\$ 290,809	\$ 193,810	\$ 3,057,542
Payroll taxes	171,793	32,995	22,357	16,248	243,393	157,989	32,171	21,493	14,324	225,977
Employee benefits	356,463	68,462	46,391	33,714	505,030	288,434	58,734	39,239	26,151	412,558
Amachi Initiative*	19,046	—	19,045	—	38,091	20,970	—	20,970	—	41,940
Background checks	16,074	—	—	—	16,074	15,991	—	—	—	15,991
Bad debts	—	—	13,544	—	13,544	—	—	22,156	—	22,156
Conferences and travel	31,444	1,124	17,844	553	50,965	36,943	2,485	19,091	1,106	59,625
Depreciation and amortization (Note 5)	301,610	57,927	39,252	28,526	427,315	286,942	58,430	39,036	26,016	410,424
Equipment repairs	12,322	2,366	1,603	1,165	17,456	11,216	2,834	1,894	1,262	17,206
In-kind materials (Note 2)	212,161	—	—	—	212,161	196,606	—	—	—	196,606
Insurance	57,694	2,477	1,678	1,220	63,069	56,897	2,453	1,639	1,092	62,081
Interest (Notes 8 and 9)	47,766	9,174	6,216	4,518	67,674	51,555	10,498	7,014	4,674	73,741
Mileage	19,150	833	1,779	2,532	24,294	19,269	517	1,630	1,703	23,119
Miscellaneous	16,148	20,083	12,685	1,527	50,443	21,334	10,844	20,196	1,934	54,308
Occupancy	238,721	45,849	31,068	22,578	338,216	246,934	49,733	33,226	22,143	352,036
Organization dues	49,947	23,961	—	—	73,908	32,463	27,113	—	—	59,576
Postage	8,625	1,352	—	—	9,977	7,913	1,314	—	—	9,227
Printing	83,231	35,147	2,262	25,193	145,833	63,418	24,287	32,787	16,632	137,124
Professional fees:										
Accounting	—	51,810	—	—	51,810	—	54,907	—	—	54,907
Lobbying	18,000	—	18,000	—	36,000	18,000	—	18,000	—	36,000
Staffing	—	—	—	—	—	25,543	—	—	—	25,543
Other	145,616	27,966	7,803	5,671	187,056	103,490	45,092	7,857	5,236	161,675
Supplies and office	18,903	3,630	2,460	1,788	26,781	15,923	3,242	2,166	1,444	22,775
Telephone	18,058	3,468	2,350	1,708	25,584	20,181	4,109	2,746	1,830	28,866
Utilities	37,641	7,229	4,899	3,560	53,329	42,490	8,652	5,780	3,852	60,774
Volunteer activities	61,260	—	—	—	61,260	103,245	—	—	—	103,245
	\$ 4,259,973	\$ 841,104	\$ 552,943	\$ 369,762	\$ 6,023,782	\$ 3,981,383	\$ 832,701	\$ 587,729	\$ 323,209	\$ 5,725,022

* Expenses include lobbying (\$36,000 for both 2019 and 2018), conferences and travel (\$1,200 and \$3,673 for 2019 and 2018, respectively) and printing (\$891 and \$2,267 for 2019 and 2018, respectively).

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS

	For The Years Ended December 31,	
	2019	2018
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (441,030)	\$ 114,874
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Bad debt expense	13,544	22,156
Depreciation and amortization	427,315	410,424
Imputed interest on capital lease obligations	2,891	4,271
Gain on involuntary conversion	—	(10,630)
Realized losses on investments	24,533	—
Unrealized (gains) losses on investments	(282,595)	239,216
Loss on equity method investment	5,568	5,128
Changes in assets and liabilities:		
Promises to give	238,323	(358,387)
Grants receivable	61,209	(28,706)
Prepaid expenses	8,029	(4,415)
Other receivables	43,781	(3,073)
Other assets	(5,809)	(716)
Accounts payable and accrued expenses	(5,873)	(329)
Deferred revenue	(33,425)	(14,872)
Net Cash Provided By Operating Activities	56,461	374,941
Cash Flows From Investing Activities		
Purchases of property and equipment	(157,562)	(11,704)
Proceeds from sale of investments	1,215,239	—
Purchases of investments	(821,958)	(174,711)
Net Cash Provided By (Used In) Investing Activities	235,719	(186,415)
Cash Flows From Financing Activities		
Collection of contributions restricted for endowment	—	1,000
Collection of contributions restricted for capital campaign	143,936	162,202
Repayment of debt borrowings	(150,000)	(100,000)
Principal payments on capital lease obligations	(23,120)	(26,663)
Net Cash Provided By (Used In) Financing Activities	(29,184)	36,539
Net Increase In Cash And Cash Equivalents	262,996	225,065
Cash And Cash Equivalents - Beginning Of Year	1,200,310	975,245
Cash And Cash Equivalents - End Of Year	\$ 1,463,306	\$ 1,200,310
Supplemental Disclosure Of Cash Flow Information		
Purchases of equipment under capital lease agreements	\$ —	\$ 27,245
Property and equipment acquisitions, to be paid with insurance proceeds included in other receivables and accounts payable (Note 5)	9,155	93,980
Interest paid	67,674	73,741

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 And 2018

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 2019 or 2018.

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 eight years, 2013 to 2020, 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, BBBSEMO's umbrella organization, which is made up of 250+ agencies nationwide. BBBSEMO is the eleventh 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.

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, 2019, cash and cash equivalents in excess of FDIC insurance limits approximated \$386,000.

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

Notes To Consolidated Financial Statements (*Continued*)

Promises To Give And Grants Receivable

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, 2019 or 2018.

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).

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

	As Of December 31, 2019			As Of December 31, 2018		
	Total Assets	Total Liabilities	Total Equity	Total Assets	Total Liabilities	Total Equity
501 North Grand Condominium Association	\$ 199,923	\$ 88,999	\$ 110,924	\$ 163,654	\$ 45,116	\$ 118,538

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

Notes To Consolidated Financial Statements (*Continued*)

	Ownership Interest	For The Years Ended December 31,					
		2019			2018		
		Revenues	Net Loss	Allocated Share Of Loss	Revenues	Net Loss	Allocated Share Of Loss
501 North Grand Condominium Association	73.13%	\$ 196,310	\$ (7,614)	\$ (5,568)	\$ 223,667	\$ (7,011)	\$ (5,128)

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, 2019 or 2018. The Organization expenses all development costs incurred until technological feasibility has been established, which has not occurred as of December 31, 2019.

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, 2019 or 2018.

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements (*Continued*)

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 \$212,161 and \$211,594 in 2019 and 2018, 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 2019 or 2018.

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.

Revenue Recognition

Public Support

The Organization recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. 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.

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements (*Continued*)

A portion of the Organization's support is derived from cost-reimbursable federal and state contracts, which are conditional upon the incurrence of allowable qualifying expenses. Revenue is recognized when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures would be reported as refundable advances in the consolidated statement of financial position. The Organization received cost-reimbursable government contracts of \$523,533 that have not been recognized at December 31, 2019 because qualifying expenditures have not yet been incurred. At December 31, 2019 and 2018, grants receivable in the consolidated statement of financial position include \$319,612 and \$380,821, respectively, of qualifying expenditures that have been incurred but not yet reimbursed.

The Organization also receives grants from private institutions that are conditional upon the achievement of certain performance requirements and outcomes. Revenue is recognized when these specific requirements and outcomes are achieved. At December 31, 2019, \$274,100 has not yet been recognized because such requirements have yet to be achieved.

Contract Services - Amachi Initiative

The Organization coordinates the Amachi Initiative (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. These fees are recognized as revenue when Initiative costs are incurred.

Rental Income

Rental property is leased to a tenant under a noncancellable operating lease (Note 12). Rental income is recognized on a straight-line basis over the term of the lease.

The opening and closing balances of receivables from contracts with clients for the year ended December 31, 2019 are \$0 and \$11,953, respectively. The opening and closing balances of receivables from contracts with clients for the year ended December 31, 2018 are \$10,997 and \$0, respectively. These balances are included in other receivables on the consolidated statement of financial position.

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements (*Continued*)

Anew Income

The Organization executes contracts with outside parties for the rental of the rooftop space for events. Revenue is recognized when the event takes place. Any cash received prior to the event is recorded as deferred revenue.

The opening and closing balances of receivables from contracts with clients for the year ended December 31, 2019 are \$775 and \$6,344, respectively. The opening and closing balances of receivables from contracts with clients for the year ended December 31, 2018 are \$0 and \$775, respectively.

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 11th largest affiliate in the Big Brothers Big Sisters of America (BBBS) federation of 250 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. The Organization's unique mission requires a significant number of volunteer mentors to guarantee a 1:1 match between each Big and Little. Significant volunteer mentor recruitment costs are thus incurred annually to recruit the new Bigs necessary to allow the Organization to continually expand its one-on-one mentoring program.

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.

New Accounting Pronouncements

During 2019, the Organization adopted Accounting Standard Update (ASU) 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in evaluating whether transactions should be accounted for as contributions or reciprocal transactions. The implementation did not have a material impact on the consolidated financial statements.

During 2019, the Organization also adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which clarifies the principles for recognizing revenue and develops a common revenue standard. ASU 2014-09 requires new disclosures about contracts with customers, significant judgements in determining the satisfaction of performance obligations in contracts, and assets recognized from costs to obtain or fulfill contracts. The implementation did not have a material impact on the consolidated financial statements.

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 2016 and later remain subject to examination by taxing authorities.

**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:

	<u>2019</u>	<u>2018</u>
Less than one year		
United Way	\$ 476,547	\$ 497,563
Building rooftop project	67,709	154,395
Capital campaign	5,250	8,500
Other	1,069,226	1,246,254
	<u>1,618,732</u>	<u>1,906,712</u>
One to five years		
Building rooftop project	—	54,000
Other	434,018	488,663
	<u>434,018</u>	<u>542,663</u>
Discount to record promise to give at present value	(13,274)	(14,096)
	<u>\$ 2,039,476</u>	<u>\$ 2,435,279</u>

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

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

Notes To Consolidated Financial Statements (*Continued*)

4. Investments

Investments consist of the following:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds:				
World stock	\$ 204,609	\$ 218,612	\$ 283,745	\$ 263,461
Large cap growth	343,566	472,780	330,073	385,649
Large cap blend	312,069	324,316	462,181	455,391
Large cap value	674,751	773,849	546,444	577,054
Ultrashort bonds	61,852	61,661	60,233	60,172
Short-term bonds	256,635	256,248	396,966	396,643
Intermediate-term bonds	642,539	612,722	620,573	579,077
Nontraditional bonds	—	—	113,585	110,256
Debt securities:				
Corporate bonds	—	—	100,035	27,704
	<u>\$ 2,496,021</u>	<u>2,720,188</u>	<u>\$ 2,913,835</u>	<u>2,855,407</u>
Less: Assets restricted for permanent investment (Note 10)		<u>55,472</u>		<u>55,472</u>
		<u>\$ 2,664,716</u>		<u>\$ 2,799,935</u>

Investments are allocated within the net asset classes as follows:

	<u>2019</u>	<u>2018</u>
Without donor restrictions	\$ 2,661,609	\$ 2,792,694
With donor restrictions:		
Earnings on assets restricted for endowment	3,107	7,241
Assets restricted for endowment	<u>55,472</u>	<u>55,472</u>
	<u>\$ 2,720,188</u>	<u>\$ 2,855,407</u>

Net investment income (loss) consists of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 139,689	\$ 203,626
Realized loss on sale of investments	(24,533)	—
Unrealized gains (losses) on investments	282,595	(239,216)
Investment management fees	<u>(15,261)</u>	<u>(14,648)</u>
	<u>\$ 382,490</u>	<u>\$ (50,238)</u>

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements (*Continued*)

In 2019 and 2018, interest and dividends above include \$27,189 and \$27,263 respectively, 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:

- Level 1* Quoted prices that are readily available in active markets/ exchanges for identical investments.
- Level 2* Pricing inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3* 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:

	2019			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
World stock	\$ 218,612	\$ —	\$ —	\$ 218,612
Large cap growth	472,780	—	—	472,780
Large cap blend	324,316	—	—	324,316
Large cap value	773,849	—	—	773,849
Ultrashort bonds	61,661	—	—	61,661
Short-term bonds	256,248	—	—	256,248
Intermediate-term bonds	612,722	—	—	612,722
	<u>\$ 2,720,188</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,720,188</u>
	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
	<u>\$ 2,827,703</u>	<u>\$ 27,704</u>	<u>\$ —</u>	<u>\$ 2,855,407</u>

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 2019 and 2018, 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:

	<u>2019</u>	<u>2018</u>
Land	\$ 91,000	\$ 91,000
Building and building improvements (Note 14)	12,477,479	12,421,681
Computer equipment and software	230,536	229,835
Furniture and fixtures	619,082	613,962
	<u>13,418,097</u>	<u>13,356,478</u>
Less: Accumulated depreciation and amortization	<u>1,997,305</u>	<u>1,581,108</u>
	<u>\$ 11,420,792</u>	<u>\$ 11,775,370</u>

Depreciation and amortization charged to expense amounted to \$427,315 and \$410,424 in 2019 and 2018, 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. No amount was payable as of December 31, 2019. Insurance proceeds in the amount of \$93,980 were awarded and were included in other receivables on the consolidated statement of financial position as of December 31, 2018. These proceeds were received in 2019.

6. Note And Interest Receivable

At December 31, 2019 and 2018, 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, 2019 or 2018.

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. Borrowings under the line of credit bear interest at the LIBOR monthly rate plus 1.95% (3.70% and 4.46% at December 31, 2019 and 2018, respectively) and matured in July 2018. The line of credit has been renewed annually under the same terms and matures in August 2020. There was no outstanding balance at December 31, 2019 or 2018.

No interest expense was incurred during 2019 or 2018.

8. Capital Lease Obligations

The Organization has leases for computer equipment, which are accounted for as capital leases, expiring at dates through January 2025. 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>2019</u>	<u>2018</u>
Computer equipment	\$ 81,792	\$ 81,792
Less: Accumulated amortization	(63,435)	(43,294)
	<u>\$ 18,357</u>	<u>\$ 38,498</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 \$2,891 and \$4,271 in 2019 and 2018, 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, 2019 are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 17,571
2021	2,651
Total minimum lease payments	20,222
Less: Amounts representing interest	1,176
Present value of minimum lease payments	<u>\$ 19,046</u>

9. Debt

During 2015, the Organization obtained 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% (3.70% and 4.46% at December 31, 2019 and 2018, respectively), 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 February 2018, a principal payment of \$100,000 was made. In January and May 2019, principal payments of \$100,000 and \$50,000, respectively, were made. In August 2019, the terms of the note were modified to reduce the maximum borrowings to \$250,000 and the note's amortization schedule was adjusted accordingly. During 2019 and 2018, \$11,834 and \$16,521, respectively, of interest expense was incurred. At December 31, 2019 and 2018, \$250,000 and \$400,000, respectively, was outstanding.

Future required principal payments on this note are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ —
2021	100,000
2022	150,000
	<u>\$ 250,000</u>

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements (*Continued*)

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 on 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, 2019 and 2018, principal of \$3,840,000 was outstanding. Interest incurred and paid during 2019 and 2018 amounted to \$52,949.

10. Net Assets

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

	<u>2019</u>	<u>2018</u>
Purpose Restricted:		
Mentoring program	\$ 1,815,518	\$ 1,452,689
United Way allocation	23,706	30,568
Unappropriated endowment earnings	3,107	7,241
	<u>1,842,331</u>	<u>1,490,498</u>
Time Restricted:		
United Way allocation	452,841	466,995
Corporate contributions	110,000	417,424
Multi-year promises to give (net of discounts of \$13,274 and \$14,096, respectively)	21,928	170,760
	<u>584,769</u>	<u>1,055,179</u>
Assets restricted for endowment	<u>55,472</u>	<u>55,472</u>
	<u>\$ 2,482,572</u>	<u>\$ 2,601,149</u>

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

Notes To Consolidated Financial Statements (*Continued*)

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

	<u>2019</u>	<u>2018</u>
Purpose Restrictions:		
Mentoring program	\$ 1,101,679	\$ 940,258
United Way allocation	54,274	58,972
	<u>1,155,953</u>	<u>999,230</u>
Time Restrictions:		
United Way allocation	466,995	479,530
Corporate contributions	424,924	334,250
Multi-year promises to give	162,150	102,844
	<u>1,054,069</u>	<u>916,624</u>
	<u>\$ 2,210,022</u>	<u>\$ 1,915,854</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:

	2019		
	With Donor Restrictions		
	Earnings	Principal	Total
Donor-restricted endowment fund	\$ 3,107	\$ 55,472	\$ 58,579

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

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

Notes To Consolidated Financial Statements (*Continued*)

Changes In Endowment Assets:

	<u>With Donor Restrictions</u>		
	<u>Earnings</u>	<u>Principal</u>	<u>Total</u>
Endowment assets - January 1, 2018	\$ 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
Investment return	3,107	—	3,107
Appropriation of endowment assets for expenditure	(7,241)	—	(7,241)
Endowment assets - December 31, 2019	\$ 3,107	\$ 55,472	\$ 58,579

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, 2019 or 2018.

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 \$63,638 and \$61,031 for the years ended December 31, 2019 and 2018, 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 2025.

At December 31, 2019, future minimum lease payments under noncancellable operating leases are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 32,398
2021	22,062
2022	18,600
2023	19,150
2024	19,200
Thereafter	1,600
	<u>\$ 113,010</u>

Rent expense under operating leases was \$31,848 for the years ended December 31, 2019 and 2018.

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. \$141,226 and \$135,442 of rental income was recognized from this tenant in 2019 and 2018, respectively.

Future minimum rents to be received, based on this lease agreement, are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 134,693
2021	37,063
	<u>\$ 171,756</u>

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements (*Continued*)

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, 2019 or 2018.

The Organization receives a significant amount of support from its Board of Directors (including their related organizations and companies). Such support totaled approximately \$512,000 and \$461,000 for 2019 and 2018, 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.

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements (*Continued*)

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.

15. Concentrations

In 2019, the Organization received approximately 23% of its total public support from two donors.

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

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>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,463,306	\$ 1,200,310
Promises to give	2,039,476	2,435,279
Grants receivable	319,612	380,821
Other receivables	64,735	108,516
Investments	2,664,716	2,799,935
Total financial assets	6,551,845	6,924,861
Less: Amounts subject to donor restrictions	(2,427,100)	(2,545,677)
	<u>\$ 4,124,745</u>	<u>\$ 4,379,184</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 its liquidity management plan, the Organization invests excess cash in short-term investments.

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

Notes To Consolidated Financial Statements (*Continued*)

17. Subsequent Events

In December 2019, a novel strain of coronavirus (COVID-19) surfaced and spread worldwide. The impact of the virus varies from region to region and any significant additional spreading of the virus could continue to affect the Organization's operations, support and revenues. The outbreak of the COVID-19 virus is likely to have a further negative impact in 2020 on the economy, and in the future, might impact the Organization's ability to conduct program activities, as well as the Organization's ability to generate support from private donors and various funding agencies. All of these factors could have a significant negative impact on the Organization's financial results in 2020 and beyond. Given the dynamic nature of this outbreak, however, the extent to which the COVID-19 virus impacts the Organization's results will depend on future developments, which remain highly uncertain and cannot be predicted at this time.

In April 2020, the Organization received approximately \$658,000 under the Paycheck Protection Program (PPP) that was signed into law as part of the CARES Act during the COVID-19 outbreak. This loan has a two-year term at an interest rate of 1% and may be eligible for forgiveness up to 100% of the loan value if certain criteria are met. The Organization also received a \$10,000 Economic Injury Disaster Loan Emergency Advance.

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



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, 2019 and 2018, and our report thereon dated June 26, 2020, 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 2020 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 2020 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 26, 2020

BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI AND AFFILIATES

CONSOLIDATED OPERATING RESULTS COMPARISON (WITH 2020 BUDGET)

	2020 Budget (Unaudited)	Consolidated Statement Of Activities	
		2019	2018
Public Support, Revenues And Gains (Losses)			
Contributions	\$ 2,855,000	\$ 2,302,431	\$ 2,804,191
United Way allocation	514,000	500,935	528,131
Grants	1,915,000	1,791,540	1,777,041
In-kind contributions	—	212,161	211,594
Special events (net)	175,000	120,168	211,112
Contract services - Amachi Initiative	40,000	20,399	20,400
Net investment income (loss)	50,000	382,490	(50,238)
Loss on equity method investment	—	(5,568)	(5,128)
Earned income	238,000	258,196	332,163
Total Public Support, Revenues And Gains (Losses)	5,787,000	5,582,752	5,829,266
Expenses			
Salaries	3,702,000	3,284,519	3,057,542
Payroll taxes	250,000	243,393	225,977
Employee benefits	564,000	505,030	412,558
Amachi Initiative	40,000	38,091	41,940
Background checks	17,000	16,074	15,991
Bad debts	—	13,544	22,156
Conferences and travel	60,000	50,965	59,625
Depreciation and amortization	—	427,315	410,424
Equipment repairs	—	17,456	17,206
In-kind materials	—	212,161	196,606
Insurance	64,000	63,069	62,081
Interest	28,000	67,674	73,741
Mileage	24,000	24,294	23,119
Miscellaneous	22,000	50,443	54,308
Occupancy	437,000	338,216	352,036
Organization dues	93,000	73,908	59,576
Postage	25,000	9,977	9,227
Printing	200,000	145,833	137,124
Professional fees:			
Accounting	56,000	51,810	54,907
Consulting	110,000	—	—
Lobbying	56,000	36,000	36,000
Staffing	—	—	25,543
Other	102,000	187,056	161,675
Supplies and office	27,000	26,781	22,775
Telephone	29,000	25,584	28,866
Utilities	—	53,329	60,774
Volunteer activities	62,000	61,260	103,245
Total Expenses	5,968,000	6,023,782	5,725,022
Increase (Decrease) In Net Assets From Operations	\$ (181,000)	\$ (441,030)	\$ 104,244

**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	\$ 12,608
2. Employee benefits	1,939
3. Payroll taxes	934
4. Occupancy	1,298
5. Telephone	98
6. Utilities	205
7. Supplies	103
8. Client volunteer activities	235
9. Background checks	736
10. Mileage	93
11. Postage	38
12. Printing	560
13. Equipment repairs	67
14. Insurance	242
15. Conferences, meetings, and travel	196
16. Total Direct Project Expenses	<u>19,352</u>
Indirect (Administrative) Expenses:	
17. Depreciation	1,640
18. Interest	310
19. Miscellaneous	111
20. Organization dues and subscriptions	284
21. Professional services - Accounting	199
22. Professional services - Other	718
23. Total Indirect Project Expenses	<u>3,262</u>
24. Total Project Expenses	<u>\$ 22,614</u>
25. Total Units Served	<u>660</u>
Cost Per Unit: Line 24/25	<u>\$ 34.26</u>