

# 2019

## FINANCIAL STATEMENTS

### Variety the Children's Charity of St. Louis

WITH INDEPENDENT AUDITOR'S REPORT  
SEPTEMBER 30, 2019

*Variety empowers children with special needs by providing access to medical equipment, therapy, and innovative programs.*



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## Independent Auditor's Report

Board of Directors  
Variety the Children's Charity of St. Louis  
St. Louis, Missouri

### Report on the Financial Statements

We have audited the accompanying financial statements of Variety the Children's Charity of St. Louis (the "Organization"), which comprise the statement of financial position as of September 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the 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 Organization'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Variety the Children's Charity of St. Louis as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Brown Smith Wallace, LLP*

St. Louis, Missouri  
December 12, 2019

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Statements of Financial Position

September 30, 2019 and 2018

	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 1,906,267	\$ 1,572,107
Promises to give (Note D)	454,136	503,756
Prepaid expenses	276,695	148,964
Investments (Note E)	3,922,329	4,097,950
Property and equipment (net of accumulated depreciation of \$65,606 in 2019 and \$53,228 in 2018)	110,004	114,624
Assets restricted for permanent investment (Notes E and F)	1,402,928	1,402,928
<b>Total Assets</b>	<b>\$ 8,072,359</b>	<b>\$ 7,840,329</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 694,803	\$ 615,242
Deferred revenue	48,164	32,790
<b>Total Liabilities</b>	<b>742,967</b>	<b>648,032</b>
<b>Net Assets (Note F)</b>		
Without donor restrictions:		
Board-designated for endowment (Note H)	3,376,411	3,476,465
Board-designated for reserve fund	200,000	100,000
Undesignated	1,078,477	916,420
	<b>4,654,888</b>	<b>4,492,885</b>
With donor restrictions:		
Endowment (Note H)	1,657,316	1,732,882
Purpose restrictions	851,413	772,655
Time-restricted for future periods	165,775	193,875
	<b>2,674,504</b>	<b>2,699,412</b>
<b>Total Net Assets</b>	<b>7,329,392</b>	<b>7,192,297</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 8,072,359</b>	<b>\$ 7,840,329</b>

The accompanying notes are an integral part of these financial statements.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Statement of Activities

Year ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue</b>			
Contributions (Note L)	\$ 2,445,167	\$ 451,503	\$ 2,896,670
Grants	122,876	98,408	221,284
Special events (Notes J & L)	1,281,320	100,000	1,381,320
In-kind revenue (Notes K & L)	51,056	-	51,056
Program revenue - Variety Theatre	139,617	-	139,617
Investment loss (Note E)	(54)	(14,024)	(14,078)
Gain on sale of fixed asset	1,000	-	1,000
Net assets released from restrictions (Note F)	660,795	(660,795)	-
<b>Total Revenue</b>	4,701,777	(24,908)	4,676,869
<b>Expenses</b>			
Program	3,191,367	-	3,191,367
Management and general	454,004	-	454,004
Fundraising	894,403	-	894,403
<b>Total Expenses</b>	4,539,774	-	4,539,774
<b>Change in Net Assets</b>	162,003	(24,908)	137,095
<b>Net Assets, Beginning of Year</b>	4,492,885	2,699,412	7,192,297
<b>Net Assets, End of Year</b>	\$ 4,654,888	\$ 2,674,504	\$ 7,329,392

The accompanying notes are an integral part of these financial statements.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Statement of Activities

Year ended September 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue</b>			
Contributions (Note L)	\$ 2,001,448	\$ 487,026	\$ 2,488,474
Grants	163,493	52,841	216,334
Special events (Notes J & L)	1,171,239	-	1,171,239
In-kind revenue (Notes K & L)	61,199	-	61,199
Program revenue - Variety Theatre	143,529	-	143,529
Investment income (Note E)	194,389	115,765	310,154
Net assets released from restrictions (Note F)	694,122	(694,122)	-
<b>Total Revenue</b>	4,429,419	(38,490)	4,390,929
<b>Expenses and Losses</b>			
Program	3,199,125	-	3,199,125
Management and general	364,131	-	364,131
Fundraising	919,672	-	919,672
Total Expenses	4,482,928	-	4,482,928
Loss on uncollectible promises to give	-	29,100	29,100
<b>Total Expenses and Losses</b>	4,482,928	29,100	4,512,028
<b>Change in Net Assets</b>	(53,509)	(67,590)	(121,099)
<b>Net Assets, Beginning of Year</b>	4,546,394	2,767,002	7,313,396
<b>Net Assets, End of Year</b>	\$ 4,492,885	\$ 2,699,412	\$ 7,192,297

The accompanying notes are an integral part of these financial statements.

**VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS**

**Statement of Functional Expenses**

Year ended September 30, 2019

	Program							Total Program Expenses	Management & General	Fundraising	Total
	Equipment	Therapy	Recreation	Education			Total Education				
				Performing Arts	Resource Center	Awareness					
Medical equipment and therapy	\$ 1,276,472	\$ 148,909	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,425,381	\$ -	\$ -	\$ 1,425,381
Salaries and related expenses	159,749	92,187	317,704	307,106	60,725	99,933	467,764	1,037,404	329,399	652,324	2,019,127
Advertising (Note K)	15	-	76	42,030	-	5,386	47,416	47,507	-	17,427	64,934
Computer and equipment (Note K)	4,970	3,764	5,982	9,041	1,002	9,812	19,855	34,571	15,221	33,260	83,052
Depreciation	-	-	2,327	776	-	292	1,068	3,395	8,983	-	12,378
Food	210	-	10,492	12,785	45	2,988	15,818	26,520	1,703	14,148	42,371
Insurance	-	-	-	2,500	-	57	2,557	2,557	18,014	421	20,992
Office expense	1,122	618	924	7,721	53	1,859	9,633	12,297	29,261	18,502	60,060
Outside services and professional fees	-	-	31,966	2,334	159	12,855	15,348	47,314	27,956	35,001	110,271
Postage and printing	494	159	183	12,743	9	14,662	27,414	28,250	1,646	61,978	91,874
Production costs and contractors (Note K)	-	-	20,768	274,123	-	2,045	276,168	296,936	-	155	297,091
Rent	12,944	9,492	23,463	86,124	3,444	6,677	96,245	142,144	15,377	48,176	205,697
Special event expenses - venue, food, entertainment and other (Note J)	-	-	-	-	-	-	-	-	-	1,950,179	1,950,179
Supplies (Note K)	18,482	-	8,348	4,080	25	310	4,415	31,245	428	1,198	32,871
Travel (Note K)	961	194	30,408	14,097	593	4,700	19,390	50,953	2,419	7,154	60,526
Other	387	20	725	3,520	-	241	3,761	4,893	3,597	4,659	13,149
<b>Total expenses by function</b>	<b>\$ 1,475,806</b>	<b>\$ 255,343</b>	<b>\$ 453,366</b>	<b>\$ 778,980</b>	<b>\$ 66,055</b>	<b>\$ 161,817</b>	<b>\$ 1,006,852</b>	<b>\$ 3,191,367</b>	<b>\$ 454,004</b>	<b>\$ 2,844,582</b>	<b>\$ 6,489,953</b>
Less expenses included with revenues on the Statement of Activities:											
Cost of direct benefits to donors - special event expenses (Note J)	-	-	-	-	-	-	-	-	-	1,950,179	1,950,179
<b>Total expenses included in the expense section of the Statement of Activities</b>	<b>\$ 1,475,806</b>	<b>\$ 255,343</b>	<b>\$ 453,366</b>	<b>\$ 778,980</b>	<b>\$ 66,055</b>	<b>\$ 161,817</b>	<b>\$ 1,006,852</b>	<b>\$ 3,191,367</b>	<b>\$ 454,004</b>	<b>\$ 894,403</b>	<b>\$ 4,539,774</b>

The accompanying notes are an integral part of these financial statements.

**VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS**

**Statement of Functional Expenses**

Year ended September 30, 2018

	Program							Total Program Expenses	Management & General	Fundraising	Total
	Equipment	Therapy	Recreation	Education			Total Education				
				Performing Arts	Resource Center	Awareness					
Medical equipment and therapy	\$ 1,195,406	\$ 159,186	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,354,592	\$ -	\$ -	\$ 1,354,592
Salaries and related expenses	257,434	153,024	312,147	272,358	24,281	111,177	407,816	1,130,421	259,320	498,680	1,888,421
Advertising	-	50	155	31,718	-	4,905	36,623	36,828	-	15,832	52,660
Computer and equipment (Note K)	8,932	5,455	6,766	8,072	760	9,582	18,414	39,567	12,870	23,132	75,569
Depreciation	-	-	65	65	-	574	639	704	7,839	-	8,543
Food	224	53	15,486	13,955	2,855	3,498	20,308	36,071	2,585	12,547	51,203
Insurance	-	-	-	2,500	-	55	2,555	2,555	16,302	405	19,262
Office expense	679	307	352	6,942	-	607	7,549	8,887	33,121	14,584	56,592
Outside services and professional fees	7,459	4,882	29,665	8,464	2,119	12,771	23,354	65,360	10,659	255,116	331,135
Postage and printing	399	280	4,440	7,523	714	12,651	20,888	26,007	3,127	53,119	82,253
Production costs and contractors	-	-	19,815	277,275	-	-	277,275	297,090	-	-	297,090
Rent	19,752	11,457	31,213	77,419	4,875	7,597	89,891	152,313	14,111	32,200	198,624
Special event expenses - venue, food, entertainment and other (Note J)	-	-	-	-	-	-	-	-	-	1,350,911	1,350,911
Supplies	9,244	-	8,039	1,669	127	379	2,175	19,458	935	1,790	22,183
Travel	748	37	13,996	8,955	1,073	2,782	12,810	27,591	811	7,424	35,826
Other	561	-	292	596	-	232	828	1,681	2,451	4,843	8,975
<b>Total expenses by function</b>	<b>\$ 1,500,838</b>	<b>\$ 334,731</b>	<b>\$ 442,431</b>	<b>\$ 717,511</b>	<b>\$ 36,804</b>	<b>\$ 166,810</b>	<b>\$ 921,125</b>	<b>\$ 3,199,125</b>	<b>\$ 364,131</b>	<b>\$ 2,270,583</b>	<b>\$ 5,833,839</b>
Less expenses included with revenues on the Statement of Activities:											
Cost of direct benefits to donors - special event expenses (Note J)	-	-	-	-	-	-	-	-	-	1,350,911	1,350,911
<b>Total expenses included in the expense section of the Statement of Activities</b>	<b>\$ 1,500,838</b>	<b>\$ 334,731</b>	<b>\$ 442,431</b>	<b>\$ 717,511</b>	<b>\$ 36,804</b>	<b>\$ 166,810</b>	<b>\$ 921,125</b>	<b>\$ 3,199,125</b>	<b>\$ 364,131</b>	<b>\$ 919,672</b>	<b>\$ 4,482,928</b>

The accompanying notes are an integral part of these financial statements.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Statements of Cash Flows

Years ended September 30, 2019 and 2018

	2019	2018
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ 137,095	\$ (121,099)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	12,378	8,543
Donated property and equipment (Note K)	(7,758)	(39,765)
Realized gain on investments	(26,407)	(114,095)
Unrealized (gain) loss on investments	154,894	(74,000)
Loss on uncollectible promises to give	-	29,100
Gain on sale of fixed asset	(1,000)	-
Changes in assets and liabilities:		
Decrease in promises to give	49,620	54,191
(Increase) decrease in prepaid expenses	(127,731)	41,903
Increase (decrease) in accounts payable and accrued expenses	79,561	(15,294)
Increase (decrease) in deferred revenue	15,374	(2,758)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>286,026</b>	<b>(233,274)</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	529,545	746,445
Purchase of investments	(482,411)	(672,555)
Proceeds from sale of fixed asset	1,000	-
<b>Net Cash Provided by Investing Activities</b>	<b>48,134</b>	<b>73,890</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>334,160</b>	<b>(159,384)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>1,572,107</b>	<b>1,731,491</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,906,267</b>	<b>\$ 1,572,107</b>

The accompanying notes are an integral part of these financial statements.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements

September 30, 2019

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### Note A - Nature of Activities

Variety the Children's Charity of St. Louis ("Variety" or "the Organization") empowers children with physical and developmental disabilities, also referred to as children with special needs, and improves their quality of life. Our programs highlight ability rather than disability. This holistic approach gives access to critical medical equipment and therapies, along with innovative Camp and Performing Arts programs, which provide opportunities for recreation, socialization, and artistic expression. Children gain or maintain independence, boost socialization among their friends and family, demonstrate belief in themselves, and increase skills they need to engage their world as fully as possible.

Significant sources of revenue include contributions from individuals and corporations, grants, special event revenue and investment income.

### **Description of Program Services and Supporting Activities**

#### **Equipment**

Medical equipment encompasses a wide range of medically prescribed equipment with an equally wide range of benefits, all designed to improve the child's ability to engage with his or her environment. These pieces of equipment can improve mobility (wheelchairs, standers, walkers, orthotics), as well as improve ability to express themselves (hearing aids and communication devices).

#### **Therapy**

Therapy is often critical for children to improve strength, endurance, mobility, while also increasing his or her level of independence at home and school. Variety ensures that children who need physical, occupational, speech, aqua or equine therapy receive it, regardless of their ability to pay, or insurance coverage.

#### **Recreation**

Variety Adventure Camp features a four week day camp program in the summer, a two-day session in the winter, and is operated for children ages 4 through 16 with physical and developmental disabilities. The focus of this program is to increase participation with family, community, school and peers; develop confidence in their abilities; and demonstrate belief in themselves and their possibilities. Campers receive one-on-one assistance from specially trained counselors and medical professionals as they try a new skill or task, such as rock climbing, basketball, tennis, cooking, music, art, bicycling, ice-skating, fishing, robotics and much more.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements - Continued

September 30, 2019

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### Note A - Nature of Activities (Continued)

#### Recreation (Continued)

For older youth, ages 14 – 20, Variety offers a two week Summer Teen Camp along with a one-day Winter Teen Camp and includes all of the above activities, with the addition of leadership development.

Variety also hosts two family events per year that involves the entire family, and provides opportunities for networking and socializing.

#### Education

A large part of our programming involves the performing arts, as that is the history of our organization. Variety Theatre is an inclusive theatre program for children of all abilities, age 8 through 21, to learn on-stage and backstage theatre craft from experienced performing arts professionals. This is the only program like this in the United States. Additionally, the inclusive Variety Children's Chorus provides opportunities for children and teens to perform at a wide range of venues throughout the year. This program helps the kids gain new skills and knowledge of the performing arts, as well as gain confidence from their time in the spotlight.

Variety also launched a new dance program to allow children with disabilities the chance to learn and practice musical theatre-style choreography and creative movement in an inclusive setting. The willingness to try new things, plus the ability to take direction, has shown an increase in confidence and dance/singing ability.

Variety's theatrical summer camp, Curtain Up, provides a week-long intensive comprised of singing, dancing, acting and a final showcase performance. Children of all abilities who participate in Variety Theatre are invited to attend this inclusive program directed by professionals from the world of musical theater.

Outside of the performing arts, Variety offers a wide range of educational opportunities for Variety families. The Emerson Resource Center provides valuable information and community connections to resolve the legal, social, therapeutic, educational, medical and counseling issues often encountered by families of children with disabilities.

Variety holds a Family Conference each fall that addresses current issues facing our families. Family Council, composed of Variety parents, meets once a month to provide programming guidance and direction.

Variety is committed to raising awareness through communication to the general public, constituent base, parents and families, partner agencies and community health care providers regarding our mission, vision, programs and events.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements - Continued

September 30, 2019

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### Note B - Summary of Significant Accounting Policies

#### **Basis of Presentation**

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements for Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Variety has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

#### **Estimates**

Variety uses estimates and assumptions in preparing 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**

Variety considers all cash investment instruments with original maturities of less than 90 days to be cash equivalents. Variety maintains cash accounts at one national financial institution. At times, bank balances exceed federal depository insurance limits of \$250,000 per financial institution. Cash balances in excess of FDIC limits amounted to \$1,746,971 at September 30, 2019 and \$1,470,619 at September 30, 2018.

#### **Promises to Give**

Promises to give consist of unconditional contributions and grants. Conditional promises to give, which depend upon specified future and uncertain events, are recognized as support when the conditions upon which they depend are substantially met.

Based on a review of outstanding balances and past collection history, management does not believe an allowance for uncollectible promises to give is necessary. Management closely monitors outstanding balances and writes off, through a charge to earnings, balances when they are deemed uncollectible.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements - Continued

September 30, 2019

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### Note B - Summary of Significant Accounting Policies (Continued)

#### **Investments**

Variety invests in various investment securities. Marketable investments are carried at market value as quoted on major security exchanges. Investments for which quoted market prices are not available are carried at estimated realizable values as determined by the fund managers and are reviewed by management. Certificates of deposit are carried at cost plus accrued interest, which approximates fair value. Gains or losses on sale of investments are determined on a specific cost identification method. Unrealized gains and losses are determined based on year-end fair value fluctuations.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position.

#### **Property and Equipment**

Property and equipment is carried at cost, less accumulated depreciation. The assets are depreciated over periods ranging from three to seven years using the straight-line method. Property and equipment consists of computer equipment and software, construction in progress, office furniture and equipment, and vehicles.

#### **Deferred Revenue**

Program revenue includes ticket sales. Revenue from ticket sales is recognized in the fiscal year of the program or performance. Proceeds from ticket sales received prior to year-end for the next fiscal year's program or performance are deferred and recognized as revenue in the next fiscal year.

#### **Net Asset Classification**

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements - Continued

September 30, 2019

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### Note B - Summary of Significant Accounting Policies (Continued)

#### Net Asset Classification (Continued)

Net Assets with Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor-stipulates that resources be maintained in perpetuity.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

#### Expense Allocation

Expenses are directly charged to program services and supporting activities as possible. Salaries and related expenses, computer and equipment, and rent expenses are allocated based on periodic time studies of staff time and effort. Management and general expenses include those expenses that provide for the overall support and direction of Variety. Fundraising expenses support activities related to identifying and accessing the resources necessary to maintain operations and achieve programmatic goals.

#### Donated Services, Use of Facilities, and Materials

Significant services, use of facilities and materials are donated to Variety by various organizations and individuals. Donated materials and use of facilities are recorded at fair value at the date of donation. Donated services that meet the criteria for recognition under FASB ASC 958-605-25 (*Not-For-Profit Organizations Revenue Recognition*) are recorded. For the year ended September 30, 2019, the value of donated materials, use of facilities and services recorded was \$187,346, with \$51,056 reflected as in-kind revenue and \$136,290 as special event revenue on the Statement of Activities. For the year ended September 30, 2018, the value was \$187,476, with \$61,199 reflected as in-kind revenue and \$126,277 as special event revenue. In addition, a substantial number of volunteers have donated a significant amount of time to Variety's programs. However, such donated services have not been recorded because they do not meet the criteria for recognition under FASB ASC 958-605-25.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements - Continued

September 30, 2019

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### Note B - Summary of Significant Accounting Policies (Continued)

#### Tax Status

Variety constitutes a qualified not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from federal income taxes.

Variety has addressed the provisions of FASB ASC 740 (Accounting for Income Taxes). In that regard, Variety has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings and believes that no provision for income taxes is necessary, at this time, to cover any uncertain tax positions.

#### Advertising

Advertising costs are expensed as incurred. Advertising costs amounted to \$64,934 and \$52,660 in 2019 and 2018 respectively.

#### Joint Costs

Variety achieves some of its programmatic and management and general goals in special events and marketing campaigns that include requests for contributions.

During the years ended September 30, 2019 and 2018, Variety incurred joint costs of \$377,269 and \$384,011, respectively, as a result of various events held during Variety Week that benefited both program and fundraising objectives. Variety allocated \$307,027 to fundraising expenses and \$70,242 to program expenses for the year ended September 30, 2019. For the year ended September 30, 2018, Variety allocated \$314,323 to fundraising expenses and \$69,688 to program expenses.

During the years ended September 30, 2019 and 2018, Variety incurred joint costs of \$11,791 and \$9,671, respectively, as a result of marketing and digital media that benefited program, management and general and fundraising objectives. Variety allocated \$5,992 to fundraising expenses, \$344 to management and general expenses and \$5,455 to program expenses for the year ended September 30, 2019. For the year ended September 30, 2018, Variety allocated \$5,224 to fundraising expenses, \$186 to management and general expenses and \$4,261 to program expenses.

#### Reclassification

Certain reclassifications have been made to the 2018 financial statement presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements - Continued

September 30, 2019

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### Note B - Summary of Significant Accounting Policies (Continued)

#### Subsequent Events

Management has evaluated subsequent events through December 12, 2019, the date which the financial statements were available for issue. No events require recognition in the financial statements or disclosures of Variety per the definitions and requirements of FASB ASC 855-10 (*Subsequent Events*).

### Note C – Available Resources and Liquidity

The following represents Variety's financial assets at September 30, 2019 available to meet general expenditures in the next year:

	<b><u>2019</u></b>
Cash and cash equivalents	<b>\$ 1,906,267</b>
Promises to give	<b>454,136</b>
Investments	<b>3,922,329</b>
Assets restricted for permanent investment	<b><u>1,402,928</u></b>
Total financial assets	<b><u>7,685,660</u></b>
Less: amounts not available to be used within one year for general expenditures:	
Restricted by donor with time or purpose restriction**	<b>(291,531)</b>
Endowment funds*	<b>(1,595,316)</b>
Quasi-endowment fund, primarily for long-term investing*	<b>(3,276,411)</b>
Amount set aside for liquidity reserve	<b><u>(200,000)</u></b>
Financial assets available to meet cash needs for general expenditure within one year	<b><u><u>\$ 2,322,402</u></u></b>

\* Excludes amounts that have been appropriated for the next 12 months

\*\* Excludes amounts that will be utilized for general expenditure in the next 12 months

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements - Continued

September 30, 2019

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### Note C – Available Resources and Liquidity (Continued)

Variety's methodology in determining what financial assets will be available to meet general expenditures over the next 12 months is based on expected fulfillment of donor restrictions. All Board-designated and donor-designated endowment funds are not considered available for general expenditure in the next 12 months over than the appropriated annual distribution for these funds, an anticipated \$100,000 from the Board-designated quasi-endowment fund and \$62,000 from the donor-restricted endowment fund. Net assets restricted by the donor for time are evaluated if the payment is expected within the next 12 months. Net assets restricted by the donor for purpose are evaluated if Variety will be able to expend the funds for the designated purpose in the next 12 months. As of September 30, 2019, all promises to give are expected to be paid and expended within the next 12 months. All donor-restricted net assets with a purpose restriction, other than funds to support the Variety Playground, are expected to be expended for the intended purpose within the next 12 months.

In addition to financial assets available to meet general expenditures over the next 12 months, Variety operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources. Refer to the statement of cash flows which shows positive cash generated by operations for fiscal year 2019.

Our endowment funds consist of donor-restricted endowments and funds designated by the Board to function as endowments. Income from donor-restricted endowments is restricted for specific purposes. Donor-restricted endowment funds are not available for general expenditure.

Variety's Board-designated endowment of \$3,376,411 is subject to an annual spending rate of up to 5% as described in Note H. Although Variety does not intend to spend from this Board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

Variety has an active liquidity management plan to prepare for the cyclical nature of the annual cash flow cycle. Occasionally, the Board designates a portion of any operating surplus to its Board-designated operating reserve, which was \$200,000 as of September 30, 2019. This reflects a \$100,000 increase at the Board's direction in fiscal year 2019.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements - Continued

September 30, 2019

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### Note D - Promises to Give

Promises to give represent pledges which have been made by donors but not yet received by Variety. Promises to give are collectible as follows:

	<u>2019</u>	<u>2018</u>
Due in less than one year	\$ 454,136	\$ 456,130
Due in one to five years	-	50,000
	<u>454,136</u>	<u>506,130</u>
Less: discount on promises to give	-	(2,374)
	<u>\$ 454,136</u>	<u>\$ 503,756</u>

Promises to give are recorded after discounting to the present value of future cash flows using a discount rate of 3.25%.

### Note E - Investments and Fair Value Measurements

Variety accounts for certain investments at fair value in accordance with accounting principles generally accepted in the United States of America. Variety has adopted FASB ASC 820-10 (*Fair Value Measurements and Disclosures*). FASB ASC 820-10 establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

FASB ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820-10 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

There are three general valuation techniques that may be used to measure fair value:

- **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.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements - Continued

September 30, 2019

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### Note E - Investments and Fair Value Measurements (Continued)

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

- **Level 1:** Observable inputs that are derived from quoted prices (unadjusted) for identical assets or liabilities in an active market that the Organization has the ability to access.
- **Level 2:** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in active markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- **Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities and reflect substantial management judgement or estimation using available market data.

Management determines the fair value measurement valuation policies and procedures, which are subject to Board of Directors assessment and approval. At least annually, management determines if the current valuation techniques used in fair value measurements are still appropriate. During the years ending September 30, 2019 and 2018, there were no changes in the methods and/or assumptions utilized to derive the fair value of Variety's assets.

As of September 30, 2019 and 2018, assets utilize the following valuation techniques and inputs:

- **Bonds:** The fair value of investments in governmental obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads.
- **Equities and Securities:** The fair value of investments in equities and securities is determined by the closing price reporting on the active market on which the individual securities are traded.

Variety recognizes transfers, if any, between levels in the fair value hierarchy at the end of the reporting period. There were no transfers during the years ended September 30, 2019 and 2018.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements - Continued

September 30, 2019

### Note E - Investments and Fair Value Measurements (Continued)

Investments, including those restricted for permanent endowment, consist of the following at September 30, 2019:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair Value</b>
Inflation protected bond	\$ 26,033	\$ 333,262	\$ -	\$ 359,295
Equity funds				
Domestic	1,910,935	-	-	1,910,935
Emerging markets	328,358	-	-	328,358
International	965,478	-	-	965,478
Market neutral	290,362	-	-	290,362
Real estate	193,146	-	-	193,146
Total securities	<u>\$3,714,312</u>	<u>\$ 333,262</u>	<u>\$ -</u>	<u>\$4,047,574</u>

Investments required to be disclosed in the fair value hierarchy	\$4,047,574
Cash and cash equivalents	402,209
Certificates of deposit	875,474
Total investments	<u>\$5,325,257</u>

Investments, including those restricted for permanent endowment, consist of the following at September 30, 2018:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair Value</b>
Inflation protected bond	\$ -	\$ 323,842	\$ -	\$ 323,842
Equity funds				
Domestic	2,044,929	-	-	2,044,929
Emerging markets	317,104	-	-	317,104
International	964,259	-	-	964,259
Market neutral	301,144	-	-	301,144
Real estate	163,321	-	-	163,321
Total securities	<u>\$3,790,757</u>	<u>\$ 323,842</u>	<u>\$ -</u>	<u>\$4,114,599</u>

Investments required to be disclosed in the fair value hierarchy	\$4,114,599
Cash and cash equivalents	391,021
Certificates of deposit	995,258
Total investments	<u>\$5,500,878</u>

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements - Continued

September 30, 2019

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### Note E - Investments and Fair Value Measurements (Continued)

Investments are included in the Statement of Financial Position as follows:

	<u>2019</u>	<u>2018</u>
Investments	\$ 3,922,329	\$ 4,097,950
Assets restricted for permanent investment	1,402,928	1,402,928
	<u>\$ 5,325,257</u>	<u>\$ 5,500,878</u>

Investment income (loss) consists of:

	<u>2019</u>	<u>2018</u>
Investment income	\$ 139,409	\$ 147,059
Realized gain on the sale of investments	26,407	114,095
Unrealized gain (loss) on investments	(154,894)	74,000
Investment fees	(25,000)	(25,000)
	<u>\$ (14,078)</u>	<u>\$ 310,154</u>

### Note F - Net Assets

#### Board-Designated Net Assets

In addition to Board-designated for endowment net assets as described in Note H, Variety has board-designated net assets for a reserve fund. Board-designated net assets for a reserve fund are comprised of funds held in cash and cash equivalents for Variety programs.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements - Continued

September 30, 2019

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### Note F - Net Assets (Continued)

#### Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for a specific purpose:		
Variety Adventure Camp	\$ -	\$ 36,500
Variety Playground	291,531	291,531
Performing Arts	217,300	159,974
Bikes for Kids	134,124	149,494
Resource Center	65,151	89,091
Equipment	25,500	43,473
Therapy	17,807	2,592
Other	100,000	-
	<u>851,413</u>	<u>772,655</u>
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	165,775	193,875
	<u>165,775</u>	<u>193,875</u>
Endowments:		
Subject to endowment spending policy and appropriation:		
Variety Adventure Camp - unappropriated endowment earnings	254,388	329,954
Not subject to endowment spending policy or appropriation:		
Variety Adventure Camp - permanently restricted	1,402,928	1,402,928
	<u>1,657,316</u>	<u>1,732,882</u>
	<u>\$2,674,504</u>	<u>\$2,699,412</u>

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements - Continued

September 30, 2019

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### Note F - Net Assets (Continued)

Net assets released from restrictions consist of the following:

	<u>2019</u>	<u>2018</u>
Purpose restrictions	\$ 466,920	\$ 581,416
Time restrictions	193,875	112,706
	<u>\$ 660,795</u>	<u>\$ 694,122</u>

Releases for program restrictions include \$61,542 and \$70,858 of appropriation of endowment earnings for Variety Adventure Camp in 2019 and 2018, respectively (Note H).

### Note G - Benefit Plan

Variety has a Simple IRA plan which allows eligible employees to make tax-deferred contributions. In addition, Variety makes 100% matching contributions up to 3% of participating employees' wages on behalf of eligible employees. Variety's contributions to the Plan were \$42,803 and \$37,337 for the years ended September 30, 2019 and 2018, respectively.

### Note H - Endowment Funds – Board-Designated and Donor-Restricted

Variety's endowment (the Endowment) consists of seven funds established by donors to provide annual funding for specific activities. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

The Board of Directors of Variety has interpreted the Missouri Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the presentation of the fair value of the original gift as the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Variety retains in perpetuity (a) the original value of initial and subsequent gifts, and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Variety considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Variety, and (7) Variety's investment policies.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements - Continued

September 30, 2019

### Note H - Endowment Funds – Board-Designated and Donor-Restricted (Continued)

As of September 30, 2019 and 2018, Variety had the following endowment net asset composition by type of fund:

	<u>2019</u>		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment	\$3,376,411	\$ -	\$3,376,411
Donor-restricted endowment			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	1,402,928	1,402,928
Accumulated investment gains	-	254,388	254,388
	<u>\$3,376,411</u>	<u>\$1,657,316</u>	<u>\$5,033,727</u>
	<u>2018</u>		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment	\$3,476,465	\$ -	\$3,476,465
Donor-restricted endowment			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	1,402,928	1,402,928
Accumulated investment gains	-	329,954	329,954
	<u>\$3,476,465</u>	<u>\$1,732,882</u>	<u>\$5,209,347</u>

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements - Continued

September 30, 2019

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### Note H - Endowment Funds – Board-Designated and Donor-Restricted (Continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Variety to retain as a fund of perpetual duration. No endowments were underwater at September 30, 2019 and 2018, respectively.

Variety has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for specific activities and general operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of maintaining the Endowment investments. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Achieving these objectives requires assuming a moderate level of risk, a long-term investment horizon and diversification among assets.

Variety uses an endowment spending-rate formula to determine the maximum amount to spend from the Endowment, including those endowments deemed to be underwater, each year. For the Board-designated endowment fund, the rate, determined annually by the Board of Directors, is applied to the average fair value of the Endowment investments for the prior 12 quarters to determine the spending rate for the upcoming year. During 2019, the spending rate maximum was 5%. For the donor-restricted endowments, Variety may use a maximum of 4% of the total amount of the fund, based on the value of the fund at December 31<sup>st</sup> of the preceding year, to support Variety Adventure Camp.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements - Continued

September 30, 2019

### Note H - Endowment Funds – Board-Designated and Donor-Restricted (Continued)

The changes in endowment net assets are as follows for the year ended September 30:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment Net Assets at October 1, 2017	\$ 3,407,166	\$ 1,687,975	\$ 5,095,141
Transfers to Board-Designated Endowment	1,750	-	1,750
Interest and dividends	96,311	50,748	147,059
Realized gain	82,660	31,435	114,095
Unrealized gain	31,765	42,235	74,000
Investment fees	(16,347)	(8,653)	(25,000)
Total Investment Income	<u>194,389</u>	<u>115,765</u>	<u>310,154</u>
Appropriation of endowment earnings	<u>(126,840)</u>	<u>(70,858)</u>	<u>(197,698)</u>
Endowment Net Assets at September 30, 2018	<u>\$ 3,476,465</u>	<u>\$ 1,732,882</u>	<u>\$ 5,209,347</u>
Endowment Net Assets at October 1, 2018	<b>\$ 3,476,465</b>	<b>\$ 1,732,882</b>	<b>\$ 5,209,347</b>
Interest and dividends	<b>91,762</b>	<b>47,647</b>	<b>139,409</b>
Realized gain	<b>16,845</b>	<b>9,562</b>	<b>26,407</b>
Unrealized loss	<b>(92,085)</b>	<b>(62,809)</b>	<b>(154,894)</b>
Investment fees	<b>(16,576)</b>	<b>(8,424)</b>	<b>(25,000)</b>
Total Investment Income (Loss)	<u><b>(54)</b></u>	<u><b>(14,024)</b></u>	<u><b>(14,078)</b></u>
Appropriation of endowment earnings	<u><b>(100,000)</b></u>	<u><b>(61,542)</b></u>	<u><b>(161,542)</b></u>
Endowment Net Assets at September 30, 2019	<u><b>\$ 3,376,411</b></u>	<u><b>\$ 1,657,316</b></u>	<u><b>\$ 5,033,727</b></u>

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements - Continued

September 30, 2019

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### Note I - Lease Commitment

Variety has operating leases for office space and equipment. Future minimum lease payments as of September 30, 2019 are as follows:

<u>Years ending September 30<sup>th</sup></u>	<u>Amount</u>
2020	\$ 132,603
2021	132,173
2022	955
2023	955

Rent expense resulting from lease commitments included in the financial statements totaled \$141,277 and \$119,929 for the years ended September 30, 2019 and 2018, respectively.

### Note J - Special Events

Special events consist of:

	<u>2019</u>	<u>2018</u>
Event table and ticket sales	\$ 1,215,419	\$ 1,135,212
Contributions for underwriting support	1,914,453	1,220,467
Auction revenue	50,970	26,290
Program book ad sales	9,500	8,500
In-kind revenue	136,290	126,277
Other revenue	4,867	5,404
Gross special event revenue	<u>3,331,499</u>	<u>2,522,150</u>
Less: cost of direct benefit to donors	<u>1,950,179</u>	<u>1,350,911</u>
Special event revenue (net)	<u>\$ 1,381,320</u>	<u>\$ 1,171,239</u>

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements - Continued

September 30, 2019

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### Note K – In-Kind Revenue

In-kind revenue consists of:

	<u>2019</u>	<u>2018</u>
Advertising	\$ 8,765	\$ -
Computer and equipment	22,152	21,434
Production costs and contractors	434	-
Supplies	314	-
Travel	11,633	-
Property and equipment	7,758	39,765
	<u>\$ 51,056</u>	<u>\$ 61,199</u>

### Note L – Related Party Transactions

Members of the Board of Directors and their related organizations contributed \$3,093,920 and \$2,373,800 in cash and non-cash contributions and special event support for the years ended September 30, 2019 and 2018, respectively.