

2021 Financial Statements

Variety the Children's Charity

With Independent Auditor's Report

September 30, 2021



variety
the children's charity

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Independent Auditors' 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, 2021, and the related statement of activities, functional expenses and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

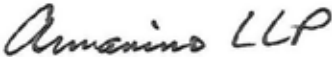
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements as of September 30, 2020, were audited by Brown Smith Wallace LLP, whose practice became part of Armanino LLP, as of August 1, 2021, and whose report dated December 7, 2020, expressed an unmodified opinion on those financial statements.


Armanino^{LLP}
St. Louis, Missouri

December 8, 2021

VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

Statements of Financial Position

September 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | \$ 2,370,348 | \$ 1,551,440 |
| Promises to give (Note D) | 820,139 | 1,063,903 |
| Accounts receivable - employee retention credit | 247,500 | - |
| Prepaid expenses | 145,344 | 150,888 |
| Investments (Note E) | 5,097,013 | 4,040,227 |
| Property and equipment (net of accumulated depreciation of \$72,559 in 2021 and \$82,282 in 2020) | 113,696 | 130,055 |
| Assets restricted for permanent investment (Notes E and G) | 1,402,928 | 1,402,928 |
| Total Assets | \$ 10,196,968 | \$ 8,339,441 |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 715,268 | \$ 623,440 |
| Deferred revenue | - | 600 |
| Paycheck Protection Program loan payable (Note F) | 332,500 | 332,545 |
| Total Liabilities | 1,047,768 | 956,585 |
| Net Assets (Note G) | | |
| Without donor restrictions: | | |
| Board-designated for endowment (Note I) | 4,205,996 | 3,447,896 |
| Board-designated for reserve fund | 200,000 | 200,000 |
| Undesignated | 1,450,073 | 283,664 |
| | 5,856,069 | 3,931,560 |
| With donor restrictions: | | |
| Endowment (Note I) | 2,116,252 | 1,703,729 |
| Purpose restrictions | 648,379 | 1,017,927 |
| Time-restricted for future periods | 528,500 | 729,640 |
| | 3,293,131 | 3,451,296 |
| Total Net Assets | 9,149,200 | 7,382,856 |
| Total Liabilities and Net Assets | \$ 10,196,968 | \$ 8,339,441 |

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, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|----------------------------------|----------------------------|--------------|
| Revenue | | | |
| Contributions (Note N) | \$ 2,664,230 | \$ 906,970 | \$ 3,571,200 |
| Grants | 215,900 | 26,188 | 242,088 |
| Special events, net (Notes K & N) | 7,062 | - | 7,062 |
| In-kind revenue (Notes L & N) | 28,496 | - | 28,496 |
| Investment income, designated for current operations per spending policy (Note B & E) | 106,935 | - | 106,935 |
| Net assets released from restrictions (Note G) | 1,562,200 | (1,562,200) | - |
| Total Revenue | 4,584,823 | (629,042) | 3,955,781 |
| Expenses | | | |
| Program | 2,918,437 | - | 2,918,437 |
| Management and general | 494,421 | - | 494,421 |
| Fundraising | 816,387 | - | 816,387 |
| Total Expenses | 4,229,245 | - | 4,229,245 |
| Change in Net Assets from Operations | 355,578 | (629,042) | (273,464) |
| Other Revenue and Support | | | |
| Paycheck Protection Program Loan Forgiveness (Note F) | 332,545 | - | 332,545 |
| Employee Retention Credit (Note M) | 499,686 | - | 499,686 |
| Investment income, net of spending policy (Note E) | 736,700 | 470,877 | 1,207,577 |
| Change in Net Assets | 1,924,509 | (158,165) | 1,766,344 |
| Net Assets, Beginning of Year | 3,931,560 | 3,451,296 | 7,382,856 |
| Net Assets, End of Year | \$ 5,856,069 | \$ 3,293,131 | \$ 9,149,200 |

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, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|----------------------------------|----------------------------|---------------------|
| Revenue | | | |
| Contributions (Note N) | \$ 1,523,934 | \$ 1,084,618 | \$ 2,608,552 |
| Grants | 137,000 | 6,989 | 143,989 |
| Special events, net (Notes K & N) | 653,039 | 280,000 | 933,039 |
| In-kind revenue (Notes L & N) | 115,411 | - | 115,411 |
| Program revenue - Performing Arts | 167,836 | - | 167,836 |
| Investment income, designated for current operations per spending policy (Note B & E) | 102,625 | - | 102,625 |
| Net assets released from restrictions (Note G) | 694,309 | (694,309) | - |
| Total Revenue | 3,394,154 | 677,298 | 4,071,452 |
| Expenses | | | |
| Program | 2,702,485 | - | 2,702,485 |
| Management and general | 621,397 | - | 621,397 |
| Fundraising | 865,085 | - | 865,085 |
| Total Expenses | 4,188,967 | - | 4,188,967 |
| Change in Net Assets from Operations | (794,813) | 677,298 | (117,515) |
| Other Revenue and Support | | | |
| Investment income, net of spending policy (Note E) | 71,485 | 99,494 | 170,979 |
| Change in Net Assets | (723,328) | 776,792 | 53,464 |
| Net Assets, Beginning of Year | 4,654,888 | 2,674,504 | 7,329,392 |
| Net Assets, End of Year | \$ 3,931,560 | \$ 3,451,296 | \$ 7,382,856 |

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, 2021

| | Program | | | | | | Total Program Expenses | Management & General | Fundraising | Total | |
|--|---------------------|-------------------|-------------------|--------------------|--------------------|------------------|------------------------------|-------------------------|-------------------|-------------------|---------------------|
| | | | | Education | | | | | | | |
| | Equipment | Therapy | Recreation | Performing Arts | Resource Center | Awareness | | | | | Total Education |
| Medical equipment and therapy | \$ 1,521,173 | \$ 199,160 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,720,333 | \$ - | \$ - | \$ 1,720,333 |
| Recreation assistance | - | - | 113,837 | - | - | - | - | 113,837 | - | - | 113,837 |
| Salaries and related expenses | 168,830 | 96,923 | 187,755 | 236,539 | 58,322 | 72,786 | 367,647 | 821,155 | 333,284 | 606,117 | 1,760,556 |
| Advertising (Note L) | 200 | - | - | 999 | - | 1,000 | 1,999 | 2,199 | 318 | 18,937 | 21,454 |
| Bad debt expense | - | - | - | - | - | - | - | - | 17,220 | - | 17,220 |
| Computer and equipment (Note L) | 10,397 | 4,990 | 7,928 | 6,936 | 1,236 | 15,423 | 23,595 | 46,910 | 30,213 | 38,844 | 115,967 |
| Depreciation | - | - | 2,327 | 776 | - | 349 | 1,125 | 3,452 | 13,987 | - | 17,439 |
| Food | - | - | 91 | 47 | - | - | 47 | 138 | 1,258 | 1,036 | 2,432 |
| Insurance | - | - | 1,756 | 1,756 | - | - | 1,756 | 3,512 | 11,711 | - | 15,223 |
| Office expense | 977 | 553 | 738 | 660 | 21 | 249 | 930 | 3,198 | 45,998 | 5,674 | 54,870 |
| Outside services and professional fees | - | - | 836 | 4,512 | 5,288 | - | 9,800 | 10,636 | 14,908 | 14,305 | 39,849 |
| Postage and printing | 211 | 154 | 13,497 | 128 | 331 | 202 | 661 | 14,523 | 1,148 | 22,275 | 37,946 |
| Production costs and contractors | 1,512 | - | - | 67,345 | - | - | 67,345 | 68,857 | - | 55,886 | 124,743 |
| Rent | 13,070 | 11,469 | 9,194 | 18,964 | 3,917 | 4,382 | 27,263 | 60,996 | 20,609 | 51,757 | 133,362 |
| Supplies | 7,120 | - | 31,581 | 2,088 | 90 | 203 | 2,381 | 41,082 | - | 66 | 41,148 |
| Travel (Note L) | 245 | - | 20 | 7,041 | 42 | 75 | 7,158 | 7,423 | 4 | 467 | 7,894 |
| Other | - | - | - | 186 | - | - | 186 | 186 | 3,763 | 1,251 | 5,200 |
| Total expenses by function | \$ 1,723,735 | \$ 313,249 | \$ 369,560 | \$ 347,977 | \$ 69,247 | \$ 94,669 | \$ 511,893 | \$ 2,918,437 | \$ 494,421 | \$ 816,615 | \$ 4,229,473 |
| Less expenses included with revenues on the Statement of Activities: | | | | | | | | | | | |
| Cost of direct benefits to donors (Note K) | - | - | - | - | - | - | - | - | - | 228 | 228 |
| Total expenses included in the expense section of the Statement of Activities | \$ 1,723,735 | \$ 313,249 | \$ 369,560 | \$ 347,977 | \$ 69,247 | \$ 94,669 | \$ 511,893 | \$ 2,918,437 | \$ 494,421 | \$ 816,387 | \$ 4,229,245 |

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, 2020

| | Program | | | | | | Total Program Expenses | Management & General | Fundraising | Total | |
|--|---------------------|-------------------|-------------------|--------------------|--------------------|------------------|------------------------------|-------------------------|-------------------|---------------------|---------------------|
| | | | | Education | | | | | | | |
| | Equipment | Therapy | Recreation | Performing Arts | Resource Center | Awareness | | | | | Total Education |
| Medical equipment and therapy (Note L) | \$ 1,128,442 | \$ 143,964 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,272,406 | \$ - | \$ - | \$ 1,272,406 |
| Salaries and related expenses | 172,872 | 71,508 | 218,751 | 258,289 | 64,289 | 70,124 | 392,702 | 855,833 | 371,165 | 679,831 | 1,906,829 |
| Advertising | 10 | - | 171 | 14,600 | - | 541 | 15,141 | 15,322 | - | 21,406 | 36,728 |
| Bad debt expense | - | - | - | - | - | - | - | - | 87,716 | - | 87,716 |
| Computer and equipment (Note L) | 4,305 | 1,701 | 9,469 | 6,870 | 1,250 | 8,169 | 16,289 | 31,764 | 17,158 | 36,032 | 84,954 |
| Depreciation | - | - | 2,327 | 776 | - | 420 | 1,196 | 3,523 | 13,153 | - | 16,676 |
| Food | 151 | - | 349 | 7,741 | 1,972 | - | 9,713 | 10,213 | 1,823 | 3,386 | 15,422 |
| Insurance | - | - | 958 | - | 118 | 44 | 162 | 1,120 | 18,501 | 416 | 20,037 |
| Office expense | 824 | 374 | 283 | 7,957 | - | 443 | 8,400 | 9,881 | 47,440 | 6,632 | 63,953 |
| Outside services and professional fees | 649 | - | 1,954 | 2,069 | 2,741 | 869 | 5,679 | 8,282 | 26,158 | 10,125 | 44,565 |
| Postage and printing | 559 | 267 | 6,086 | 6,718 | 30 | 2,186 | 8,934 | 15,846 | 1,882 | 44,919 | 62,647 |
| Production costs and contractors | - | - | 1,814 | 291,384 | - | - | 291,384 | 293,198 | - | 155,865 | 449,063 |
| Rent | 13,106 | 3,893 | 10,685 | 83,810 | 4,328 | 5,792 | 93,930 | 121,614 | 31,773 | 61,921 | 215,308 |
| Supplies | 17,215 | - | 11,732 | 3,514 | - | 5 | 3,519 | 32,466 | 214 | 53,087 | 85,767 |
| Travel (Note L) | 635 | - | 448 | 24,261 | 364 | 610 | 25,235 | 26,318 | 400 | 1,035 | 27,753 |
| Other (Note L) | 322 | - | 172 | 4,205 | - | - | 4,205 | 4,699 | 4,014 | 2,168 | 10,881 |
| Total expenses by function | \$ 1,339,090 | \$ 221,707 | \$ 265,199 | \$ 712,194 | \$ 75,092 | \$ 89,203 | \$ 876,489 | \$ 2,702,485 | \$ 621,397 | \$ 1,076,823 | \$ 4,400,705 |
| Less expenses included with revenues on the Statement of Activities: | | | | | | | | | | | |
| Cost of direct benefits to donors (Note K) | - | - | - | - | - | - | - | - | - | 211,738 | 211,738 |
| Total expenses included in the expense section of the Statement of Activities | \$ 1,339,090 | \$ 221,707 | \$ 265,199 | \$ 712,194 | \$ 75,092 | \$ 89,203 | \$ 876,489 | \$ 2,702,485 | \$ 621,397 | \$ 865,085 | \$ 4,188,967 |

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, 2021

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Increase in net assets | \$ 1,766,344 | \$ 53,464 |
| Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 17,439 | 16,676 |
| Donated property and equipment (Note L) | - | (35,030) |
| Realized (gain) loss on investments (Note E) | (119,210) | 27,049 |
| Unrealized gain on investments (Note E) | (1,105,777) | (171,113) |
| Paycheck Protection Program loan forgiveness (Note F) | (332,545) | - |
| Loss on uncollectible promises to give | 17,220 | 87,716 |
| Changes in assets and liabilities: | | |
| Decrease (increase) in promises to give | 226,544 | (697,483) |
| Increase in accounts receivable - employee retention credit | (247,500) | - |
| Decrease in prepaid expenses | 5,544 | 125,807 |
| Increase (decrease) in accounts payable and accrued expenses | 91,828 | (71,363) |
| Decrease in deferred revenue | (600) | (47,564) |
| Net Cash Provided by (Used in) Operating Activities | <u>319,287</u> | <u>(711,841)</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from sale of investments | 1,028,182 | 456,297 |
| Purchase of investments | (859,981) | (430,131) |
| Purchases of fixed asset | (1,080) | (1,697) |
| Net Cash Provided by Investing Activities | <u>167,121</u> | <u>24,469</u> |
| Cash Flows from Financing Activities | | |
| Paycheck Protection Program loan proceeds (Note F) | 332,500 | 332,545 |
| Net Cash Provided by Financing Activities | <u>332,500</u> | <u>332,545</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>818,908</u> | <u>(354,827)</u> |
| Cash and Cash Equivalents, Beginning of Year | <u>1,551,440</u> | <u>1,906,267</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 2,370,348</u> | <u>\$ 1,551,440</u> |

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, 2021

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 Recreation and Performing Arts programs, which provide opportunities for adventure, 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 access and engage with his or her environment. These pieces of equipment can increase mobility (wheelchairs, standers, walkers, orthotics), as well as improve ability to express themselves (hearing aids, and communication devices). Variety ensures that children who need this vital equipment receive it, especially since equipment cost presents a barrier for their families.

Therapy

Therapy is often critical for children to improve strength, endurance, and 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 hippotherapy are able to access regular sessions, so that cost does not prevent a child from receiving necessary therapy. Due to the COVID-19 pandemic, Variety launched virtual therapy in May 2020 as a delivery option of the therapeutic offerings of physical, occupational, and speech. This option continued to be offered in 2021 as it presents additional flexibility for families.

Recreation

Variety Adventure and Teen Camp features a six-week camp program in the summer, a multiple-day session in the winter, and is operated for children ages 4 through 20 with physical and developmental disabilities. The focus of these programs is to increase participation with peers, community, school and family; develop confidence in their abilities; and demonstrate belief in themselves and their possibilities. Traditionally, 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

September 30, 2021

Note A - Nature of Activities (Continued)

Recreation (continued)

Due to the COVID-19 pandemic, summer camp and winter camp in 2020 was moved online. In 2021, summer camp was once again offered online, again featuring familiar counselors, arts and crafts, virtual tours, music time, games, and other enriching activities.

Variety also hosts two family events per year that involves the entire family and provides opportunities for networking and socializing. During 2020 and 2021, in-person social activities were forgone in favor of online social events, in the interest of safety. These virtual social events involved a teen hang-out, costume parties, bingo, crafts and lots of interactions with friends.

Education

A large part of our programming involves the performing arts, in keeping with the historical roots of our organization. Variety Theatre is an inclusive theatre program that gives children of all abilities, age 8 through 17, the opportunity to perform on-stage with a live orchestra and professional actors. Teens (ages 14 to 20) interested in backstage theatre crafts are mentored by the designers and directors of the show. The annual musical theatre production, with attendance of more than 5,000, also includes children with disabilities in the audience who can see themselves in the children on the stage. This is the only program like it in the United States.

Variety's theatrical summer camp, Curtain Up, is an 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. Having moved to a virtual format for 2020, Curtain Up was able to provide a two week in-person experience in 2021.

Additionally, the inclusive Variety Children's Chorus provides opportunities for children and teens of all abilities to perform at a wide range of venues throughout the year. This program helps participants gain vocal skills, socialization with other chorus members, and confidence from their time in the spotlight.

Variety also offers a Dance program that allows children with and without 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 independence, confidence and dance skills. Both the Chorus and Dance programs run for thirty-two weeks throughout the school year.

VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

Notes to Financial Statements

September 30, 2021

Note A - Nature of Activities (Continued)

Education (Continued)

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 Variety Family Conference each fall that addresses current issues facing our families. Additionally, Variety Family Council, composed of Variety parents, meets once a month (virtually as of May 2020) to provide programming guidance and direction. With the ability to once again meet in person starting August, 2021, Family Council will offer an optional virtual connection to the monthly meeting to meet the needs of the families.

Towards the end of FY2021, Variety introduced a new virtual speaker series titled 'Endless PossAbilities.' Each session is free to attend and features a different individual with a disability speaking to how they achieved their unique possibilities, covering topics such as getting a job, cooking for yourself, joining a sports team and much more. The guest speaker also answers questions, creating a safe space where Variety Kids and Teens can learn more about the possibilities that their futures hold.

Variety is also committed to educating and raising awareness among the general public regarding our mission and vision, spreading a message about the importance of accessibility and inclusion by communicating the impact of Variety's programs.

Note B - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

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.

VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

Notes to Financial Statements

September 30, 2021

Note B - Summary of Significant Accounting Policies (Continued)

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 two financial institutions. At times, bank balances exceed federal depository insurance limits of \$250,000 per financial institution. Cash balances in excess of FDIC limits amounted to \$2,001,979 at September 30, 2021 and \$1,282,535 at September 30, 2020.

Promises to Give

Promises to give consist of unconditional contributions and grants. Promises to give are considered conditional when a measurable barrier and right of return or release exists. The promise becomes unconditional and is recognized as revenue when the barriers upon which they depend are overcome. When the satisfaction of a barrier is accomplished in the same period that the contribution is made, conditional contributions are recorded as unconditional.

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.

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 income reflected as operating revenue on the statement of activities consists of annual distributions from the Board-designated endowment fund and donor-restricted endowments taken in accordance with the Organization's spending policy.

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.

VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

Notes to Financial Statements

September 30, 2021

Note B - Summary of Significant Accounting Policies (Continued)

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. Variety capitalizes all expenditures in excess of \$1,000 as property and equipment.

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.

Paycheck Protection Program Loan Payable

During fiscal year 2020 and 2021, Variety applied for and was awarded a loan under the Paycheck Protection Program ("PPP"). Variety elected to account for the loans using the debt-model under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 470. The debt-model required initial recording of the proceeds received as financing activities and the loan as a liability until Variety is legally released from the obligation to repay the loan. If any part of the loan is forgiven and legal release is received, Variety will reduce the liability by the amounts forgiven and record a gain on extinguishment in the statements of activities.

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.

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.

VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

Notes to Financial Statements

September 30, 2021

Note B - Summary of Significant Accounting Policies (Continued)

Net Asset Classification (continued)

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.

Operating and Non-Operating Activity

Operating results in the statement of activities reflect all recurring transactions except investment income not appropriated for current year operations per Variety's spending policy.

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 are recorded. For the year ended September 30, 2021, the value of donated materials, use of facilities and services recorded was \$28,496 reflected as in-kind revenue on the statement of activities. For the year ended September 30, 2020, the value was \$115,411. 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.

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 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.

VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

Notes to Financial Statements

September 30, 2021

Note B - Summary of Significant Accounting Policies (Continued)

Advertising

Advertising costs are expensed as incurred. Advertising costs amounted to \$21,454 and \$36,728 in 2021 and 2020, 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.

Variety did not incur any joint costs in fiscal year 2021.

During the fiscal year ended September 30, 2020, Variety incurred joint costs of \$20,936 as a result of various special events held during the fiscal year that benefited both program and fundraising objectives. Variety allocated \$18,942 to fundraising expenses and \$1,994 to program expenses.

During the year ended September 30, 2020, Variety incurred joint costs of \$4,022 as a result of marketing and digital media that benefited program, management and general and fundraising objectives. Variety allocated \$2,086 to fundraising expenses, \$149 to management and general expenses and \$1,787 to program expenses.

Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise, or notification of a beneficial interest is received.

Special event revenue includes ticket sales for special events held by Variety during the fiscal year. The ticket sales and sponsorships, included in special event revenue, are partially for an exchange in goods or services and partially a contribution to Variety. The contribution is recognized when committed while the reciprocal piece is recognized at the time of the event.

Disaggregation of revenue consists of:

| | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------------|
| Special event ticket sales | \$ - | \$ 315 |
| Program service revenue - Variety Theatre ticket sales | - | 160,905 |
| | <u>\$ -</u> | <u>\$ 161,220</u> |

VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

Notes to Financial Statements

September 30, 2021

Note B - Summary of Significant Accounting Policies (Continued)

Employee Retention Credit (ERC) Program

On December 27, 2020, in response to the COVID-19 pandemic, the U. S. Congress enacted the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 ("CRRSAA"), which among other things, contains provisions for an employee retention credit, a refundable payroll credit for 50% of wages and health benefits paid to employees not providing services or experienced a decline in gross receipts, as a result of the COVID-19 pandemic. As a result of the CARES Act, Variety claimed the employee retention credit, which was recorded as other receivable on the statements of financial position and other revenue and support on the statements of activities.

Subsequent Events

Management has evaluated subsequent events through December 8, 2021, the date which the financial statements were available for issue. No events require recognition in the financial statements or disclosures by Variety.

Change in Accounting Principles

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018. The Organization adopted ASU 2014-09 with a date of the initial application of October 1, 2020, using the modified retrospective method. The adoption of ASU 2014-09 did not have a significant impact on the Organization's financial position, result of operations, or cash flows. No changes were required to previously reported revenue as a result of the adoption of this standard.

VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

Notes to Financial Statements

September 30, 2021

Note C - Available Resources and Liquidity

The following represents Variety's financial assets at September 30, 2021 and 2020 available to meet general expenditures in the next year:

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 2,370,348 | \$ 1,551,440 |
| Promises to give | 820,139 | 1,063,903 |
| Accounts receivable - employee retention credit | 247,500 | - |
| Investments | 5,097,013 | 4,040,227 |
| Assets restricted for permanent investment | 1,402,928 | 1,402,928 |
| Total financial assets | <u>9,937,928</u> | <u>8,058,498</u> |
| Less: amounts not available to be used within one year for general expenditures: | | |
| Restricted by donor with time or purpose restriction** | (268,449) | (291,531) |
| Endowment funds* | (2,056,252) | (1,643,729) |
| Quasi-endowment fund, primarily for long-term investing* | (4,105,996) | (3,247,896) |
| Amount set aside for liquidity reserve | <u>(200,000)</u> | <u>(200,000)</u> |
| Financial assets available to meet cash needs for general expenditure within one year | <u>\$ 3,307,231</u> | <u>\$ 2,675,342</u> |

* 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'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 other than the appropriated annual distribution for these funds, an anticipated \$100,000 from the Board-designated quasi-endowment fund and \$60,000 from the donor-restricted endowment fund during the next fiscal year. 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, 2021, all promises to give due in one year or less are expected to be paid and expended within the next 12 months. All donor-restricted net assets with a purpose restriction totaling \$648,379 as of September 30, 2021, other than funds to support the Variety Playground which total \$177,694 at September 30, 2021, are expected to be expended for the intended purpose within the next 12 months.

VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

Notes to Financial Statements

September 30, 2021

Note C - Available Resources and Liquidity (Continued)

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.

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 \$4,205,996 and \$3,447,896 as of September 30, 2021 and 2020, respectively, is subject to an annual spending rate of up to 5% as described in Note I. 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, 2021 and 2020, respectively.

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>2021</u> | <u>2020</u> |
|------------------------------------|--------------------------|----------------------------|
| Due in less than one year | \$ 729,386 | \$ 1,063,903 |
| Due in one to five years | 100,000 | - |
| | <u>829,386</u> | <u>1,063,903</u> |
| Less: discount on promises to give | (9,247) | - |
| | <u>\$ 820,139</u> | <u>\$ 1,063,903</u> |

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

VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

Notes to Financial Statements

September 30, 2021

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. Fair value is defined 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. The valuation techniques are required 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.

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, 2021 and 2020, there were no changes in the methods and/or assumptions utilized to derive the fair value of Variety's assets.

VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

Notes to Financial Statements

September 30, 2021

Note E - Investments and Fair Value Measurements (Continued)

As of September 30, 2021, and 2020, 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, 2021 and 2020.

Investments, including those restricted for permanent endowment, consist of the following at September 30, 2021:

| | Level 1 | Level 2 | Level 3 | Fair Value |
|--|--------------------|-------------------|----------------|---------------------|
| Inflation protected bond | \$ 24,361 | \$ 615,797 | \$ - | \$ 640,158 |
| Equity funds | | | | |
| Domestic | 2,797,399 | - | - | 2,797,399 |
| Emerging markets | 447,638 | - | - | 447,638 |
| International | 1,358,006 | - | - | 1,358,006 |
| Market neutral | - | - | - | - |
| Real estate | 293,411 | - | - | 293,411 |
| Total securities | <u>\$4,920,815</u> | <u>\$ 615,797</u> | <u>\$ -</u> | <u>\$ 5,536,612</u> |
| Investments required to be disclosed in the fair value hierarchy | | | | \$ 5,536,612 |
| Cash and cash equivalents | | | | 19,449 |
| Certificates of deposit | | | | 943,880 |
| Total investments | | | | <u>\$6,499,941</u> |

VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

Notes to Financial Statements

September 30, 2021

Note E - Investments and Fair Value Measurements (Continued)

Investments, including those restricted for permanent endowment, consist of the following at September 30, 2020:

| | Level 1 | Level 2 | Level 3 | Fair Value |
|--------------------------|--------------------|-------------------|----------------|--------------------|
| Inflation protected bond | \$ 25,009 | \$ 352,296 | \$ - | \$ 377,305 |
| Equity funds | | | | |
| Domestic | 2,215,597 | - | - | 2,215,597 |
| Emerging markets | 383,087 | - | - | 383,087 |
| International | 1,090,743 | - | - | 1,090,743 |
| Market neutral | - | - | - | - |
| Real estate | 234,156 | - | - | 234,156 |
| Total securities | <u>\$3,948,592</u> | <u>\$ 352,296</u> | <u>\$ -</u> | <u>\$4,300,888</u> |

| | |
|--|--------------------|
| Investments required to be disclosed in the fair value hierarchy | \$4,300,888 |
| Cash and cash equivalents | 110,673 |
| Certificates of deposit | 1,031,594 |
| Total investments | <u>\$5,443,155</u> |

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

| | <u>2021</u> | <u>2020</u> |
|--|--------------------|--------------------|
| Investments | \$5,097,013 | \$4,040,227 |
| Assets restricted for permanent investment | 1,402,928 | 1,402,928 |
| | <u>\$6,499,941</u> | <u>\$5,443,155</u> |

Investment income (loss) consists of:

| | <u>2021</u> | <u>2020</u> |
|---|--------------------|--------------------|
| Investment income | \$ 114,525 | \$ 154,540 |
| Realized gain (loss) on the sale of investments | 119,210 | (27,049) |
| Unrealized gain on investments | 1,105,777 | 171,113 |
| Investment fees | (25,000) | (25,000) |
| | <u>\$1,314,512</u> | <u>\$ 273,604</u> |

VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

Notes to Financial Statements

September 30, 2021

Note F - Paycheck Protection Program Loan Payable

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law. The legislation includes provisions for expansion of the U.S. Small Business Administration's 7(a) Loan Program to support the new Paycheck Protection Program ("PPP2"). Variety applied and was awarded a loan in the amount of \$332,500 under the PPP2.

The loan bears interest at 1% with any accrued interest to be forgiven along with the principal balance. This loan is unsecured, and all unpaid principal and interest shall be due upon maturity on May 29, 2026, if not forgiven. As of September 30, 2021, the notes payable balance was \$332,500.

Loans made under the PPP can be forgiven if certain conditions are met. As of September 30, 2021, Variety had not received approval that the certain conditions were met, therefore no forgiveness has been recorded. Management believes that nearly all, if not all, of the loan will be forgiven. Variety has adopted the provisions of the PPP Flexibility Act to defer interest and principal payments until the date on which the amount of forgiveness is determined.

Variety received full forgiveness under round 1 of the PPP program, indicated on April 23, 2021 in the amount of \$332,545, which represents principal in the amount of \$332,545. The forgiveness is reported in other revenue and support on the statement of activities for the year ended September 30, 2021.

The scheduled maturities of the PPP loan payable as of September 30, 2021, are as follows:

| | |
|-------------|-------------------|
| Due in 2022 | \$ 16,451 |
| Due in 2023 | 66,217 |
| Due in 2024 | 66,882 |
| Due in 2025 | 67,554 |
| Due in 2026 | <u>115,396</u> |
| | <u>\$ 332,500</u> |

Note G - Net Assets

Board-Designated Net Assets

In addition to Board-designated for endowment net assets as described in Note I, 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

September 30, 2021

Note G - Net Assets (Continued)

Net Assets with Donor Restrictions

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

| | <u>2021</u> | <u>2020</u> |
|--|--------------------|--------------------|
| Subject to expenditure for a specific purpose: | | |
| Variety Adventure Camp | \$ 19,000 | \$ 29,000 |
| Variety Playground | 177,694 | 291,531 |
| Performing Arts | 173,478 | 152,989 |
| Bikes for Kids | 159,994 | 90,000 |
| Resource Center | 16,009 | 34,730 |
| Equipment | 69,689 | 135,903 |
| Therapy | 7,515 | 3,774 |
| Other | 25,000 | 280,000 |
| | <u>648,379</u> | <u>1,017,927</u> |
| Subject to the passage of time: | | |
| Promises to give that are not restricted by donors, but which are unavailable for expenditure until due | <u>528,500</u> | 729,640 |
| | <u>528,500</u> | <u>729,640</u> |
| Endowments: | | |
| Subject to endowment spending policy and appropriation: | | |
| Variety Adventure Camp - unappropriated endowment earnings | 713,324 | 300,801 |
| Not subject to endowment spending policy or appropriation: | | |
| Variety Adventure Camp - permanently restricted | <u>1,402,928</u> | 1,402,928 |
| | <u>2,116,252</u> | <u>1,703,729</u> |
| | <u>\$3,293,131</u> | <u>\$3,451,296</u> |

VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

Notes to Financial Statements

September 30, 2021

Note G - Net Assets (Continued)

Net assets released from restrictions consist of the following:

| | <u>2021</u> | <u>2020</u> |
|----------------------|---------------------|-------------------|
| Purpose restrictions | \$ 832,560 | \$ 540,634 |
| Time restrictions | 729,640 | 153,675 |
| | <u>\$ 1,562,200</u> | <u>\$ 694,309</u> |

Releases for program restrictions include \$58,354 and \$53,081 of appropriation of endowment earnings for Variety Adventure Camp in 2021 and 2020, respectively (Note I).

Note H - 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 \$40,520 and \$43,668 for the years ended September 30, 2021 and 2020, respectively.

Note I - 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 subjected 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

September 30, 2021

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

As of September 30, 2021, and 2020, Variety had the following endowment net asset composition by type of fund:

| | <u>2021</u> | | |
|--|----------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Board-designated endowment | \$ 4,205,996 | \$ - | \$ 4,205,996 |
| 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 | - | 713,324 | 713,324 |
| | <u>\$ 4,205,996</u> | <u>\$ 2,116,252</u> | <u>\$ 6,322,248</u> |

| | <u>2020</u> | | |
|--|----------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Board-designated endowment | \$ 3,447,896 | \$ - | \$ 3,447,896 |
| 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 | - | 300,801 | 300,801 |
| | <u>\$ 3,447,896</u> | <u>\$ 1,703,729</u> | <u>\$ 5,151,625</u> |

VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

Notes to Financial Statements

September 30, 2021

Note I - 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, 2021 and 2020, 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 2021 and 2020, 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 31st of the preceding year, to support Variety Adventure Camp.

VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

Notes to Financial Statements

September 30, 2021

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

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

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---|------------------------------------|---------------------------|
| Endowment Net Assets at October 1, 2019 | \$3,376,411 | \$1,657,316 | \$5,033,727 |
| Interest and dividends | 101,346 | 53,194 | 154,540 |
| Realized loss | (12,425) | (14,624) | (27,049) |
| Unrealized gain | 102,034 | 69,079 | 171,113 |
| Investment fees | (16,845) | (8,155) | (25,000) |
| Total Investment Income | <u>174,110</u> | <u>99,494</u> | <u>273,604</u> |
| Appropriation of endowment earnings | <u>(102,625)</u> | <u>(53,081)</u> | <u>(155,706)</u> |
| Endowment Net Assets at September 30, 2020 | <u>\$3,447,896</u> | <u>\$1,703,729</u> | <u>\$5,151,625</u> |
| Endowment Net Assets at October 1, 2020 | \$3,447,896 | \$1,703,729 | \$5,151,625 |
| Transfers to Board-Designated Endowment | 21,400 | - | 21,400 |
| Interest and dividends | 76,060 | 38,465 | 114,525 |
| Realized gain | 67,924 | 51,286 | 119,210 |
| Unrealized gain | 716,573 | 389,204 | 1,105,777 |
| Investment fees | (16,922) | (8,078) | (25,000) |
| Total Investment Income | <u>843,635</u> | <u>470,877</u> | <u>1,314,512</u> |
| Appropriation of endowment earnings | <u>(106,935)</u> | <u>(58,354)</u> | <u>(165,289)</u> |
| Endowment Net Assets at September 30, 2021 | <u>\$4,205,996</u> | <u>\$2,116,252</u> | <u>\$6,322,248</u> |

VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

Notes to Financial Statements

September 30, 2021

Note J - Lease Commitment

Variety has operating leases for office space and equipment. Future minimum lease payments as of September 30, 2021 are as follows:

| <u>Years ending September 30th</u> | <u>Amount</u> |
|---|---------------|
| 2022 | \$ 149,689 |
| 2023 | 3,991 |
| 2024 | 3,036 |
| 2025 | 1,771 |

Rent expense resulting from lease commitments included in the financial statements totaled \$152,705 and \$161,868 for the years ended September 30, 2021 and 2020, respectively.

Note K - Special Events

Special events consist of:

| | <u>2021</u> | <u>2020</u> |
|--|-----------------|-------------------|
| Event table and ticket sales | \$ 4,000 | \$ 620,700 |
| Contributions for underwriting support | 3,000 | 518,500 |
| Auction revenue | 290 | - |
| Other revenue | - | 5,577 |
| Gross special event revenue | <u>7,290</u> | <u>1,144,777</u> |
| Less: cost of direct benefit to donors | <u>228</u> | <u>211,738</u> |
| Special event revenue (net) | <u>\$ 7,062</u> | <u>\$ 933,039</u> |

Due to the COVID-19 pandemic and restrictions on large gatherings as well as concerns for the health and safety of guests, staff and Variety children and family, in person Variety Week events were cancelled in fiscal year 2021 and 2020. In fiscal year 2020, although the Variety Week events were ultimately not held, generous donors allowed Variety to retain their committed Variety Week support to cover direct event expenses incurred prior to the cancellation as well as provide general operating support for Variety.

VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

Notes to Financial Statements

September 30, 2021

Note L - In-Kind Revenue

In-kind revenue consists of:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|------------------|-------------------|
| Advertising | \$ 5,800 | \$ - |
| Computer and equipment | 15,961 | 21,261 |
| Medical equipment and therapy | - | 39,250 |
| Travel | 6,735 | 16,195 |
| Other expenses | - | 3,675 |
| Property and equipment | - | 35,030 |
| | <u>\$ 28,496</u> | <u>\$ 115,411</u> |

Note M - Employee Retention Credit (ERC) Funding

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") provides an employee retention credit ("CARES Employee Retention Credit"), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. In calendar year 2020, the tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee. In calendar year 2021, the tax credit is equal to 70% of the qualified wages paid to employees after December 31, 2020, through September 30, 2021. These qualified wages are capped to \$10,000 per employee per calendar quarter in 2021. The maximum employee retention credit available is \$7,000 per employee per calendar quarter, for a total of \$21,000 for the first three calendar quarters of 2021. Variety qualified for the tax credit and received additional tax credits for qualified wages, and Variety recorded \$499,686 benefit related to the CARES Employee Retention Credit in the accompanying statements of activities as other revenue and support for the year ended September 30, 2021.

Note N - Related Party Transactions

Members of the Board of Directors and their related organizations contributed \$1,594,028 and \$1,692,990 in cash and non-cash contributions and special event support for the years ended September 30, 2021 and 2020, respectively.

VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

Notes to Financial Statements

September 30, 2021

Note O - Risk and Uncertainties

Variety's financial performance, estimates, reserves, contracts, and operations in the next 12 months may be affected by the ongoing outbreak of the coronavirus disease ("COVID-19"), which was declared a pandemic by the World Health Organization. The full extent and duration of the impact of COVID-19 on the Variety's operations and financial performance is currently unknown and depends on uncertain and unpredictable developments.

As a result of the pandemic and the resulting government mandates, Variety has had to adapt and innovate in everything from how Variety raises money to program execution and business operations. Variety remains committed to providing uninterrupted access to the services Variety children so desperately need with the health and safety of all the top priority. Key summer programs, like Adventure Camp and Curtain Up! Theatre camp adapted to all new virtual formats. A new teletherapy partnership was launched to provide continued access to essential occupational, physical and speech therapy. The pivot in programming will continue into the upcoming fiscal years as Variety continues to assess and respond to the changing needs of children with disabilities with creativity, innovation and a commitment to safety.

Operationally, Variety will prioritize a strategic and targeted utilization of resources and a focus on controlling costs wherever possible while retaining the infrastructure required to deliver impactful programs and efficient operations. Variety also pivoted to expand and diversify its fundraising strategy and continues to connect donors and the community with the mission of the organization.