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**TRAILNET, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**TRAILNET, INC.**  
**DECEMBER 31, 2019 AND 2018**

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## INDEPENDENT AUDITORS' REPORT

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To the Board of Directors of  
**Trailnet, Inc.**  
St. Louis, Missouri

We have audited the accompanying financial statements of **Trailnet, Inc.** (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2019 and 2018, and the related statements 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 of 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 auditors' 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 auditors consider internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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**INDEPENDENT AUDITORS' REPORT (CONTINUED)**

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Trailnet, Inc.** as of December 31, 2019 and 2018, 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.

**Emphasis of Matter Regarding Subsequent Events**

As discussed in Note 10 to the financial statements, the Organization has been impacted by the effects of the world-wide coronavirus pandemic. Our opinion is not modified with respect to that matter.

*Kiefer Bonfanti & Co. LLP*

St. Louis, Missouri  
October 7, 2020

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TRAILNET, INC.

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STATEMENTS OF FINANCIAL POSITION

|   | December 31,      |                   |
|---|-------------------|-------------------|
|   | 2019              | 2018              |
| <b>Assets</b>                           |                   |                   |
| <b>Current Assets</b>                   |                   |                   |
| Cash and cash equivalents               | \$ 89,277         | \$ 110,543        |
| Accounts receivable                     | 51,099            | 4,087             |
| Grants receivable                       | 51,061            | 24,080            |
| Prepaid expenses                        | 8,164             | 8,341             |
| <b>Total Current Assets</b>             | <b>199,601</b>    | <b>147,051</b>    |
| <b>Investments, at Fair Value</b>       | <b>243,904</b>    | <b>246,610</b>    |
| <b>Property and Equipment, Net</b>      | <b>249,858</b>    | <b>256,245</b>    |
| <b>Total Assets</b>                     | <b>\$ 693,363</b> | <b>\$ 649,906</b> |
| <b>Liabilities and Net Assets</b>       |                   |                   |
| <b>Current Liabilities</b>              |                   |                   |
| Accounts payable                        | \$ 15,788         | \$ 24,137         |
| Accrued expenses                        | 47,848            | 60,110            |
| Current portion of deferred revenue     | 105,657           | 105,657           |
| <b>Total Current Liabilities</b>        | <b>169,293</b>    | <b>189,904</b>    |
| <b>Deferred Revenue</b>                 | <b>252,586</b>    | <b>255,836</b>    |
| <b>Total Liabilities</b>                | <b>421,879</b>    | <b>445,740</b>    |
| <b>Net Assets</b>                       |                   |                   |
| Without donor restrictions              | 271,484           | 197,499           |
| With donor restrictions                 | -                 | 6,667             |
| <b>Total Net Assets</b>                 | <b>271,484</b>    | <b>204,166</b>    |
| <b>Total Liabilities and Net Assets</b> | <b>\$ 693,363</b> | <b>\$ 649,906</b> |

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**TRAILNET, INC.**

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**STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019**

|   | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b> |
|---|---------------------------------------|------------------------------------|--------------|
| <b>Support, Revenue and Gains</b>           |                                       |                                    |              |
| Memberships and contributions               | \$ 203,951                            | -                                  | \$ 203,951   |
| Corporate and foundation grants             | 318,760                               | -                                  | 318,760      |
| Government grants                           | 43,299                                | -                                  | 43,299       |
| In-kind contributions                       | 20,031                                | -                                  | 20,031       |
| Rides and sponsorships                      | 107,375                               | -                                  | 107,375      |
| Lease income                                | 165,146                               | -                                  | 165,146      |
| Investment income                           | 22,345                                | -                                  | 22,345       |
| <b>Support, Revenue and Gains Available</b> | 880,907                               | -                                  | 880,907      |
| Net assets released from restrictions       | 6,667                                 | (6,667)                            | -            |
| <b>Total Support, Revenue and Gains</b>     | 887,574                               | (6,667)                            | 880,907      |
| <b>Expenses</b>                             |                                       |                                    |              |
| Program services                            | 601,329                               | -                                  | 601,329      |
| Management and general                      | 112,676                               | -                                  | 112,676      |
| Fundraising                                 | 99,584                                | -                                  | 99,584       |
| <b>Total Expenses</b>                       | 813,589                               | -                                  | 813,589      |
| <b>Increase (Decrease) in Net Assets</b>    | 73,985                                | (6,667)                            | 67,318       |
| <b>Net Assets, Beginning of Year</b>        | 197,499                               | 6,667                              | 204,166      |
| <b>Net Assets, End of Year</b>              | \$ 271,484                            | -                                  | \$ 271,484   |

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TRAILNET, INC.

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STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total             |
|--|-------------------------------|----------------------------|-------------------|
| <b>Support, Revenue and Gains</b>        |                               |                            |                   |
| Memberships and contributions            | \$ 215,151                    | -                          | \$ 215,151        |
| Corporate and foundation grants          | 307,038                       | 6,667                      | 313,705           |
| Government grants                        | 35,698                        | -                          | 35,698            |
| In-kind contributions                    | 32,271                        | -                          | 32,271            |
| Rides and sponsorships                   | 118,394                       | -                          | 118,394           |
| Lease income                             | 174,849                       | -                          | 174,849           |
| Investment loss                          | (4,217)                       | -                          | (4,217)           |
| <b>Total Support, Revenue and Gains</b>  | <b>879,184</b>                | <b>6,667</b>               | <b>885,851</b>    |
| <b>Expenses</b>                          |                               |                            |                   |
| Program services                         | 741,053                       | -                          | 741,053           |
| Management and general                   | 130,330                       | -                          | 130,330           |
| Fundraising                              | 158,922                       | -                          | 158,922           |
| <b>Total Expenses</b>                    | <b>1,030,305</b>              | <b>-</b>                   | <b>1,030,305</b>  |
| <b>Increase (Decrease) in Net Assets</b> | <b>(151,121)</b>              | <b>6,667</b>               | <b>(144,454)</b>  |
| <b>Net Assets, Beginning of Year</b>     | <b>348,620</b>                | <b>-</b>                   | <b>348,620</b>    |
| <b>Net Assets, End of Year</b>           | <b>\$ 197,499</b>             | <b>6,667</b>               | <b>\$ 204,166</b> |

**TRAILNET, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2019**

|                                     | <u>Program Services</u>   |  |                      |                           | <u>Supporting Activities</u> |               |                   |
|-------------------------------------|---|--|----------------------|---------------------------|------------------------------|---------------|-------------------|
|                                     | Rides, Travel<br>Green, Safe<br>Routes to<br>School, and<br>Livable | Outreach,<br>Advocacy, and<br>Communications | Planning and<br>HVAC | Total Program<br>Expenses | Management<br>and General    | Fundraising   | Total             |
| Salaries and benefits               | \$ 82,980   | 216,035                                      | 75,985               | 375,000                   | 76,514                       | 36,262        | \$ 487,776        |
| Office expenses                     | 9,272   | 31,630                                       | 1,346                | 42,248                    | 17,381                       | 9,425         | 69,054            |
| Consulting and subcontracting       | 6,560   | 48,819                                       | 10,000               | 65,379                    | 2,000                        | 525           | 67,904            |
| Project delivery and supplies       | 25,470  | 2,198  | 1,433                | 29,101                    | 948                          | 25,144        | 55,193            |
| Occupancy                           | 5,062   | 11,188                                       | 3,600                | 19,850                    | 4,347                        | 17,379        | 41,576            |
| Insurance                           | 22,105  | 12,693                                       | 4,231                | 39,029                    | -                            | 1,244         | 40,273            |
| Professional fees                   | 4,489   | 13,468                                       | 4,489                | 22,446                    | 3,252                        | 1,321         | 27,019            |
| Equipment expenses                  | 1,286   | 875  | 396                  | 2,557                     | 6,389                        | 7,676         | 16,622            |
| Depreciation                        | 1,341   | 2,682  | 1,341                | 5,364                     | 640                          | 383           | 6,387             |
| Penalties                           | 6   | -  | -                    | 6                         | 1,205                        | -             | 1,211             |
| Conferences and reference materials | -   | 344  | 5                    | 349                       | -                            | 225           | 574               |
| <b>Total</b>                        | <b>\$ 158,571</b>   | <b>339,932</b>                               | <b>102,826</b>       | <b>601,329</b>            | <b>112,676</b>               | <b>99,584</b> | <b>\$ 813,589</b> |
| <b>Percentage of Total Expenses</b> | <b>19.5%</b>  | <b>41.8%</b>                                 | <b>12.6%</b>         | <b>73.9%</b>              | <b>13.9%</b>                 | <b>12.2%</b>  | <b>100.0%</b>     |

**TRAILNET, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2018**

|                                     | <u>Program Services</u>  |   |                              |                                   | <u>Supporting Activities</u>      |                    |                     |
|-------------------------------------|--|---|------------------------------|-----------------------------------|-----------------------------------|--------------------|---------------------|
|                                     | <u>Rides, Travel<br/>Green, Safe<br/>Routes to<br/>School, and<br/>Livable</u> | <u>Outreach,<br/>Advocacy, and<br/>Communications</u> | <u>Planning and<br/>HVAC</u> | <u>Total Program<br/>Expenses</u> | <u>Management<br/>and General</u> | <u>Fundraising</u> | <u>Total</u>        |
| Salaries and benefits               | \$ 101,627   | 300,226   | 88,857                       | 490,710                           | 70,200                            | 59,553             | \$ 620,463          |
| Office expenses                     | 16,266   | 41,644  | 1,691                        | 59,601                            | 11,180                            | 19,817             | 90,598              |
| Consulting and subcontracting       | 10,378   | 41,966  | 18,559                       | 70,903                            | 1,500                             | 2,810              | 75,213              |
| Project delivery and supplies       | 28,151   | 5,138   | 2,505                        | 35,794                            | 573                               | 22,215             | 58,582              |
| Occupancy                           | 9,952  | 15,479  | 5,126                        | 30,557                            | 4,801                             | 44,507             | 79,865              |
| Insurance                           | 11,145   | 19,465  | 6,488                        | 37,098                            | 235                               | 1,909              | 39,242              |
| Professional fees                   | -  | -   | -                            | -                                 | 31,664                            | -                  | 31,664              |
| Equipment expenses                  | 4,174  | 503   | 490                          | 5,167                             | 7,138                             | 7,525              | 19,830              |
| Depreciation                        | 1,548  | 3,096   | 1,548                        | 6,192                             | 737                               | 442                | 7,371               |
| Penalties                           | -  | -   | -                            | -                                 | 903                               | -                  | 903                 |
| Conferences and reference materials | 178  | 1,884   | 1,969                        | 4,031                             | 1,399                             | 144                | 5,574               |
| Bad debt                            | 1,000  | -   | -                            | 1,000                             | -                                 | -                  | 1,000               |
| <b>Total</b>                        | <b>\$ 184,419</b>  | <b>429,401</b>  | <b>127,233</b>               | <b>741,053</b>                    | <b>130,330</b>                    | <b>158,922</b>     | <b>\$ 1,030,305</b> |
| <b>Percentage of Total Expenses</b> | <b>17.9%</b>   | <b>41.7%</b>  | <b>12.3%</b>                 | <b>71.9%</b>                      | <b>12.7%</b>                      | <b>15.4%</b>       | <b>100.0%</b>       |

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**TRAILNET, INC.**

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**STATEMENTS OF CASH FLOWS**

|   | <b>Years Ended December 31,</b> |              |
|---|---------------------------------|--------------|
|   | <b>2019</b>                     | <b>2018</b>  |
| <b>Cash Flows from Operating Activities</b>         |                                 |              |
| Increase (decrease) in net assets                   | <b>\$ 67,318</b>                | \$ (144,454) |
| Adjustments:  |                                 |              |
| Depreciation  | <b>6,387</b>                    | 7,371        |
| Realized and unrealized gain (loss) on investments  | <b>(13,874)</b>                 | 12,652       |
| (Increase) decrease in operating assets             |                                 |              |
| Accounts and grants receivable                      | <b>(73,993)</b>                 | 28,577       |
| Prepaid expenses                                    | <b>177</b>                      | 439          |
| Increase (decrease) in operating liabilities        |                                 |              |
| Accounts payable                                    | <b>(8,349)</b>                  | 17,313       |
| Accrued expenses                                    | <b>(12,262)</b>                 | (17,168)     |
| Deferred revenue                                    | <b>(3,250)</b>                  | (16,143)     |
| <b>Net Cash Used by Operating Activities</b>        | <b>(37,846)</b>                 | (111,413)    |
| <b>Cash Flows from Investing Activities</b>         |                                 |              |
| Proceeds from sale of investments                   | <b>25,000</b>                   | 82,000       |
| Purchase of investments                             | <b>(8,420)</b>                  | (8,280)      |
| <b>Net Cash Provided by Investing Activities</b>    | <b>16,580</b>                   | 73,720       |
| <b>Net Decrease in Cash and Cash Equivalents</b>    | <b>(21,266)</b>                 | (37,693)     |
| <b>Cash and Cash Equivalents, Beginning of Year</b> | <b>110,543</b>                  | 148,236      |
| <b>Cash and Cash Equivalents, End of Year</b>       | <b>\$ 89,277</b>                | \$ 110,543   |

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

***Business Description***

Trailnet, Inc. (the Organization) is a not-for-profit corporation that leads in fostering healthy, active and vibrant communities where walking, bicycling and the use of public transit are a way of life. The Organization's mission-driven activities include:

- 1) Programs: bicycle/pedestrian education and promoting the use of safe non-motorized transportation for daily living,
- 2) Policy initiatives: advocacy that supports and promotes the mission, and
- 3) Planning: partnering with communities to develop and enhance access to walking, biking and public transit and to connect them to a regional transportation system.

The Organization's support comes primarily from public support and government grants. Other major revenue sources include membership dues, sponsorships and lease income.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles.

***Financial Statement Presentation***

The Organization reports its information regarding financial position and activities according to the following net asset classifications:

***Net assets without donor restrictions***

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

***Net assets with donor restrictions***

Net assets subject to stipulation imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. The Organization had no net assets with donor restrictions at December 31, 2019. There were \$6,667 of net assets with donor restrictions at December 31, 2018.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Notes to Financial Statements (Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires the Organization to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Cash and Cash Equivalents***

For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

***Accounts and Grants Receivable***

Accounts receivable are uncollateralized customer and government obligations due under normal trade terms generally requiring payment within 30 days of the invoice date. The Organization does not charge interest on any accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off. Management does not consider an allowance for uncollectible receivables to be necessary.

The Organization recognizes the full amount of grants received in the period that they were made as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. At December 31, 2019, the Organization considered all grants receivable to be fully collectible; accordingly, there is no allowance for doubtful accounts. If amounts become uncollectible, they will be charged to operations at that time.

There was no bad debt expense for the year ended December 31, 2019. Bad debt expense for the year ended December 31, 2018 was \$1,000.

Accounts and grants receivable older than 90 days at December 31, 2019 were approximately \$15,000. The amounts over 90 days were collected after year end.

***Property and Equipment***

Purchased property and equipment are stated at cost. Donated property and equipment are reported at their estimated fair value at the date of donation. Depreciation on buildings and equipment is computed using the straight-line method over the estimated useful lives of the assets as follows:

| <b><u>Asset</u></b>  | <b><u>Years</u></b> |
|----------------------|---------------------|
| Capital improvements | 15                  |
| Office equipment     | 5-15                |
| Vehicles             | 5                   |

Notes to Financial Statements (Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Deferred Revenue***

The Organization has granted outdoor advertising licenses and easement rights on its property to other entities for periods ranging from one month to ninety-nine years. Income from outdoor licenses is deferred and recognized over the periods to which the licenses relate. The Organization is also party to several contract and grant agreements spanning multiple years. Income relating to these agreements is deferred and recognized as associated expenses are incurred.

***Contributions***

The Organization reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, or a stipulated time restriction ends, 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. The Organization records donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support. Unrestricted contributions of long-lived assets and cash to acquire long-lived assets are treated as unrestricted when the acquired assets are placed in service.

***Adoption of New Accounting Standard***

The Organization has adopted the Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. The Organization has completed its evaluation of the impact of ASU No. 2018-08 on the financial statements and internal revenue recognition policies and concluded that the adoption of the standard did not require an adjustment to the opening net assets balance.

***Functional Expenses***

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis.

Notes to Financial Statements (Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Functional Expenses (continued)***

The expenses that are allocated include the following:

| <b>Expense</b>                      | <b>Method of Allocation</b>   |
|-------------------------------------|-------------------------------|
| Salaries and benefits               | Direct costs, time and effort |
| Office expenses                     | Direct costs                  |
| Consulting and subcontracting       | Direct costs                  |
| Project delivery and supplies       | Direct costs                  |
| Occupancy                           | Time and effort               |
| Insurance                           | Direct costs, time and effort |
| Professional fees                   | Direct costs                  |
| Equipment expenses                  | Direct costs                  |
| Depreciation                        | Direct costs                  |
| Penalties                           | Direct costs                  |
| Conferences and reference materials | Direct costs                  |
| Bad debt                            | Direct costs                  |

***Donated Materials and Services***

The Organization receives contributions in the form of materials and services. Donated noncash assets are recorded as contributions at their fair values at the date of donation. Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. Volunteers provide various services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

***Income Tax Status***

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. The Organization has evaluated its tax positions, expiring tax 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. The Organization's federal Form 990s are subject to examination, generally for three years after they are filed. As of October 7, 2020, no informational returns have been selected for examination.

Notes to Financial Statements (Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Subsequent Events***

The Organization has evaluated subsequent events through October 7, 2020, the date which the financial statements were available to be issued, for possible recognition or disclosure. Refer to Note 10.

***Recent Accounting Pronouncements***

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, “*Revenue from Contracts with Customers (Topic 606)*”. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In June 2020, the FASB issued guidance to postpone the effective date of ASU 2014-09 one year for private entities. The new required reporting period would be in effect for periods beginning after December 15, 2019.

**2. AVAILABILITY AND LIQUIDITY**

The Organization’s financial assets available within one year of the statements of financial position date for general expenditures are as follows:

|  | <b>December 31,</b>   |                       |
|--|-----------------------|-----------------------|
|  | <b>2019</b>           | 2018                  |
| <b>Financial assets at year end:</b>   |                       |                       |
| Cash and cash equivalents  | <b>\$ 89,277</b>      | \$ 110,543            |
| Accounts and grants receivable   | <b>102,160</b>        | 28,167                |
| Investments  | <b>243,904</b>        | 246,610               |
| <b>Total Financial Assets</b>  | <b>435,341</b>        | 385,320               |
| <b>Less amounts not available to be used within one year:</b>                                      |                       |                       |
| Net assets with donor restrictions   | -                     | 6,667                 |
| Less net assets with time and purpose restrictions<br>to be met in less than one year              | -                     | (6,667)               |
| <b>Total amounts not available to be used within one year</b>                                      | -                     | -                     |
| <br><b>Financial assets available to meet general expenditures<br/>over the next twelve months</b> | <br><b>\$ 435,341</b> | <br><b>\$ 385,320</b> |

The Organization is substantially supported by membership dues, grants and lease arrangements without donor restrictions. As part of the Organization’s liquidity management, the policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The Organization invests cash more than daily requirements in short-term investments.

## Notes to Financial Statements (Continued)

**3. CONCENTRATIONS OF CASH AND CREDIT RISK**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash equivalents, trade accounts and grants receivable and investments. The Organization maintains its cash primarily with one major financial institution. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 under the FDIC's general deposit insurance rules. Cash balances did not exceed the FDIC limits at December 31, 2019 and 2018. The Organization maintains its investments primarily with one brokerage firm. Securities held at this firm are insured by Securities Investor Protection Corporation (SIPC) up to \$500,000. Investment balances did not exceed the SIPC limits at December 31, 2019 and 2018.

**4. FAIR VALUE MEASUREMENTS**

Financial accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 inputs) and the lowest priority to unobservable inputs (level 3 inputs). The three levels of the fair value hierarchy under the standards are described as follows:

**Level 1**

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

**Level 2**

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3**

Inputs to the valuation methodology are significant unobservable inputs.

Notes to Financial Statements (Continued)

**4. FAIR VALUE MEASUREMENTS (CONTINUED)**

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019.

- Mutual funds – valued at daily closing price reported on the principal and active market on which the mutual fund is traded.

The inputs or methodologies used for valuing investments may not be an indication of the risk associated with investing in those securities. Furthermore, management believes its valuation methods are appropriate and consistent. The use of different methodologies or assumptions could result in a different fair value measurement at the reporting date.

The Organization's assets that are measured at fair value are all valued at level 1 and amount to \$243,904 and \$246,610 for the years ended December 31, 2019 and 2018, respectively.

**5. PROPERTY AND EQUIPMENT**

|                                    | <b>December 31,</b> |            |
|------------------------------------|---------------------|------------|
|                                    | <b>2019</b>         | 2018       |
| Land                               | <b>\$ 244,501</b>   | \$ 244,501 |
| Capital improvements               | <b>717,051</b>      | 717,051    |
| Office equipment                   | <b>218,742</b>      | 218,742    |
| Vehicles                           | <b>29,531</b>       | 29,531     |
| Property and equipment, at cost    | <b>1,209,825</b>    | 1,209,825  |
| Less accumulated depreciation      | <b>(959,967)</b>    | (953,580)  |
| <b>Property and Equipment, Net</b> | <b>\$ 249,858</b>   | \$ 256,245 |

Depreciation expense amounted to \$6,387 and \$7,371 for the years ended December 31, 2019 and 2018, respectively.

## Notes to Financial Statements (Continued)

**6. LEASES**

The Organization leased office space under a noncancellable operating lease which expired August 2018. In June 2018, the Organization entered into a new lease agreement for office space at a new location which began on July 1, 2018. The term of the lease is three years, ending on August 15, 2021. Monthly rent was \$1,609 for the first month and \$2,109 for the rest of the lease term.

Obligations under the leases are as follows:

| <b>Years Ending December 31,</b> |                  |
|----------------------------------|------------------|
| 2020                             | \$ 25,308        |
| 2021                             | 14,763           |
| <b>Total Future Payments</b>     | <b>\$ 40,071</b> |

Rent expense related to operating leases for the years ended December 31, 2019 and 2018 totaled \$21,683 and \$29,044, respectively.

**7. LEASE ARRANGEMENTS****Gannett Lease**

In December 1993, the Organization entered into an agreement to lease outdoor advertising space to Gannett Outdoor Company of St. Louis ("Gannett") and received a prepayment of \$131,127. The term of the lease is for twenty years and may be terminated upon thirty days written notice by either party. During the year ended December 31, 2013, the Organization renewed the agreement for an additional twenty year period. Gannett pays the Organization the greater of twenty-five percent of the annual net revenue (as defined in the lease agreement) or \$12,000 per year for the first 5 years, \$12,720 for years 6 through 10, \$14,116 for years 11 through 15 and \$15,528 for years 16 through 20. Accordingly, \$15,600 was recognized as revenue in both 2019 and 2018. Deferred revenue of \$3,900 was recorded at December 31, 2019 and 2018, which will be recognized as revenue in the subsequent year.

**Ameren U.E. Agreements**

The Organization has agreements with Ameren U.E. which call for prepayments for wire line leases. Deferred revenue related to these agreements of \$99,188 was recorded at December 31, 2019 and 2018, which will be recognized as revenue in subsequent years. The Organization recognized \$136,082 and \$143,225 related to these agreements as revenue in 2019 and 2018, respectively.

## Notes to Financial Statements (Continued)

**7. LEASE ARRANGEMENTS (CONTINUED)****St. Louis County Leases**

The Organization has agreements to lease certain properties to St. Louis County for a period of 99 years. At any time the parties may consider a transfer to St. Louis County of the Organization's interest in the subject properties. Deferred revenue under those leases was \$252,586 and \$255,836 at December 31, 2019 and 2018, respectively. The Organization recognized \$3,250 and \$6,500 as revenue in 2019 and 2018, respectively.

**8. EMPLOYEE BENEFIT PROGRAMS**

The Organization maintains a contributory retirement savings plan under Section 401(k) of the code covering substantially all employees who meet certain eligibility requirements. Employer contributions to the plan totaled \$5,847 and \$7,487 for the years ended December 31, 2019 and 2018, respectively.

**9. RECLASSIFICATIONS**

Certain amounts in prior year financial statements have been reclassified for comparative purposes to conform to the presentation of the current year financial statements.

**10. SUBSEQUENT EVENTS**

In December 2019, there was an outbreak of a novel strain of coronavirus (COVID-19). On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic and on March 13, 2020 the President of the United States of America declared this a national emergency. It is anticipated that these impacts will continue for some time. Future potential impacts may include an impairment of obtaining contributions, maintaining members, disruption of services and internal operations and postponed events. The future effects of these pandemic related issues are unknown.

In May 2020, the Organization applied for and was granted a \$96,710 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The loan accrues interest, but payments are not required to begin for six months to one year after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization intends to take measures to maximize the loan forgiveness.