

**FOUNDATION FOR
BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.**

**Financial Statements
as of and for the Years Ended
December 31, 2017 and 2016 and
Independent Auditors' Report**

**FOUNDATION FOR
BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Foundation for Big Brothers Big Sisters of Central Texas, Inc.

We have audited the accompanying financial statements of the Foundation for Big Brothers Big Sisters of Central Texas, Inc. (a nonprofit organization) (the Foundation), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities 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 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2017, 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.

Other Matter

The financial statements of the Foundation as of and for the year ended December 31, 2016, were audited by other auditors, whose report, dated July 18, 2017, expressed an unmodified opinion on those statements.

Atchley & Associates, LLP

Austin, Texas

July 18, 2018

**FOUNDATION FOR
BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 22,099	\$ 10,272
Marketable investments	1,891,211	1,794,700
Fiscal sponsorship receivable	-	1,599
	<u> </u>	<u> </u>
TOTAL	<u>\$ 1,913,310</u>	<u>\$ 1,806,571</u>
 LIABILITIES AND NET ASSETS		
 LIABILITIES		
Accounts payable	\$ 4,634	\$ 3,891
 NET ASSETS		
Board- designated unrestricted endowment	<u>1,908,676</u>	<u>1,802,680</u>
 TOTAL	<u>\$ 1,913,310</u>	<u>\$ 1,806,571</u>

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

**FOUNDATION FOR
BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
REVENUES		
Investment income	\$ 253,716	\$ 117,958
Contributions	-	650
Total Revenues	<u>253,716</u>	<u>118,608</u>
EXPENSES		
Scholarships for tuition and fees	61,296	62,567
Grants to Big Brothers Big Sisters of Central Texas, Inc.	50,000	50,000
Investment management fees	18,125	16,169
Professional services	8,300	11,350
Books and supplies	6,620	7,379
Housing	500	2,750
Other	2,879	1,790
Total Expenses	<u>147,720</u>	<u>152,005</u>
CHANGE IN UNRESTRICTED NET ASSETS	105,996	(33,397)
UNRESTRICTED NET ASSETS, beginning of year	<u>1,802,680</u>	<u>1,836,077</u>
UNRESTRICTED NET ASSETS, end of year	<u>\$ 1,908,676</u>	<u>\$ 1,802,680</u>

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

**FOUNDATION FOR
BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ 105,996	\$ (33,397)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Interest and dividend income	(73,677)	(71,513)
Investment management fees	18,125	16,169
Realized losses (gains) on investments	(169,912)	88,388
Unrealized losses (gains) losses on investments	(10,127)	(134,833)
Bad debt expense	1,599	
Changes in assets and liabilities that provided (used) cash:		
Prepaid expenses	-	4,167
Accounts payable	743	3,891
	(127,253)	(127,128)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sales of investments	139,080	125,833
NET CHANGE IN CASH AND CASH EQUIVALENTS	139,080	125,833
Net (decrease) increase in cash	11,827	(1,295)
CASH AND CASH EQUIVALENTS, beginning of year	10,272	11,567
CASH AND CASH EQUIVALENTS, end of year	\$ 22,099	\$ 10,272

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

**FOUNDATION FOR
BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

1. ORGANIZATION

The Foundation for Big Brothers Big Sisters of Central Texas, Inc. (the Foundation) is a nonprofit organization formed in 2001, whose purpose is to support the children benefitted by the Big Brothers Big Sisters of Central Texas, Inc.'s (the Agency) programs. The Foundation awards scholarships for post-secondary education in an effort to encourage each child to graduate from high school and reach their full potential through higher education.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as defined by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Net Assets - Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations. Expenses are reported as decreases in unrestricted net assets.

Temporarily Restricted - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. The Foundation had no temporarily restricted net assets as of December 31, 2017 or 2016.

Permanently Restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. These net assets are not available for use in operations and limitations neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. The Foundation has not received any permanently restricted donations.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - The Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**FOUNDATION FOR
BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair Value Measurements - Fair value is 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. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value Hierarchy as follows:

Level 1 - Inputs based on quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the organization.

Level 3 - Unobservable inputs that reflect the organization's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Marketable Investments - Marketable investments were measured at fair value using the market approach and inputs were considered Level 1 under the fair value hierarchy. Changes in fair value of marketable investments are reported as investment income in the statements of activities.

Contributions - Contributions received, including unconditional promises to give, are recorded at fair value as unrestricted, temporarily restricted, or permanently restricted support in the period received depending on the existence and nature of any donor restrictions. Conditional promises to give are recognized when the condition on which they depend is substantially met, and the promises become unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire within the fiscal year in which the contributions were received.

**FOUNDATION FOR
BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Scholarships - The Foundation's approved scholarship policy requires each eligible child to provide required enrollment documentation prior to scholarship award and payment. Once the required documentation has been submitted, the Foundation recognizes a liability for the related scholarship for post-secondary education costs and the related expenses for tuition and fees and/or books and supplies. As of December 31, 2017 and 2016, the liability for unpaid scholarships was included in accounts payable in the statement of financial position.

Functional Expense Allocation - The costs of providing the program and supporting services have been summarized on a functional basis (Note 4). Accordingly, certain costs have been allocated based on estimates made by management.

Income Taxes - The Foundation is a nonprofit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except as it relates to any unrelated business income. The Foundation did not incur any significant tax liabilities due to unrelated business income during the years December 31, 2017 or 2016. The tax returns for the years ending December 31, 2014, and after are open to examination by federal, local, and state authorities. There are currently no income tax audits for any tax periods in progress.

Recently Issued Accounting Pronouncements - In August 2016, the FASB issued Accounting Standards Updates No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which requires presentation on the face of the statement of financial position amounts for two classes of net assets at the end of the period, net assets with donor restrictions and net assets without donor restrictions, rather than the currently required three classes. The standard also requires the presentation on the face of the statement of activities the amount of the change in each of these two classes of net assets. The standard will no longer require the presentation or disclosure of the indirect method of reporting cash flows if an entity elects to use the direct method, however it will be required for an entity to provide enhanced disclosures about liquidity in the footnotes to the financial statements. The standard is effective for fiscal years beginning after December 15, 2017, and early adoption is permitted. The Foundation is currently evaluating the impact the standard will have on its financial statements.

Subsequent Events - Subsequent events have been evaluated through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

**FOUNDATION FOR
BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

3. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and marketable investments. The Foundation places its cash and cash equivalents with a limited number of high quality financial institutions and may exceed the amount of insurance provided on such deposits. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the statement of financial position.

4. FUNCTIONAL EXPENSE ALLOCATION

Expenses, allocated to their functional categories, were as follows during the years ended December 31:

	2017	2016
Program	\$ 126,019	\$ 130,341
Management and General	21,701	21,664
Total	<u>\$ 147,720</u>	<u>\$ 152,005</u>

5. MARKETABLE INVESTMENTS

Marketable investments consisted of the following as of December 31:

	2017	2016
Equities	\$ 1,305,254	\$ 1,273,851
Money Market Accounts	-	289,793
Fixed Income	585,957	231,056
Total	<u>\$ 1,891,211</u>	<u>\$ 1,794,700</u>

**FOUNDATION FOR
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

6. ENDOWMENT

In 2001, the Foundation’s Board of Directors (the Board) transferred unrestricted cash to a financial institution, and designated the funds to establish the Foundation for Big Brothers Big Sisters of Central Texas, Inc. Scholarship Fund (the Fund) to support the mission, operations and programs of the Agency.

The financial institution has the power to re-balance the Fund, in order to obtain the targeted allocation established by the Foundation. The Foundation may at any time modify any condition or restriction on the distribution of funds if, in its sole judgment, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the mission of the Foundation.

The Foundation has elected to have the Board-designated unrestricted endowment funds managed and held by the financial institution. Funds will be invested in accordance with the Foundation’s investment policies and objectives. The financial institution will distribute to the Foundation, in cash, an amount equal to no more than 7% of a trailing three year average of the total asset value of the Board-designated endowment as of December 31 of the previous year; provided, however, that in the event that in any given year a distribution of 7% of the fair market value of the fund would result in a reduction in its “historic gift value”, then the distribution will be limited to an amount equal to the interest, dividends, and realized gains, less realized losses. However, it is understood that the total return basis for calculating distributions is in accordance with the Texas Uniform Prudent Management of Institutional Funds Act, under which the Foundation is permitted to spend an amount in excess of the current yield. If the amount to distribute is not made in any year, the balance will continue to be available for future periods.

Changes in the Board-designated unrestricted endowment net assets for the years ended December 31st, follows:

	2017	2016
Endowment net assets, beginning of year	\$ 1,802,680	\$ 1,836,077
Interest and dividends	73,677	71,513
Net realized and unrealized gains (losses)	180,039	46,445
Appropriated for expenditure	(147,720)	(151,355)
Endowment net assets, end of year	<u>\$ 1,908,676</u>	<u>\$ 1,802,680</u>

7. RELATED PARTY TRANSACTIONS

During each of the years ended December 31, 2017 and 2016, the Foundation made payments of \$50,000 to the Agency in support of their mission and operations.