

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

**Financial Statements
as of and for the Years Ended
December 31, 2018 and 2017 and
Independent Auditors' Report**

**BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
DECEMBER 31, 2018 AND 2017**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Big Brothers Big Sisters of Central Texas, Inc. (a nonprofit organization) (the Agency), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditor considers 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 Agency as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Atehley & Associates, LLP

Austin, Texas

May 29, 2019

**BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 664,543	\$ 665,310
Accounts receivable	2,007	2,431
Contributions receivable, net	204,390	456,440
Government grants and contracts receivable	75,775	105,117
Prepaid expense	18,526	9,598
Total Current Assets	965,241	1,238,896
 LONG-TERM CONTRIBUTIONS RECEIVABLE, net	 82,348	 367,725
 PROPERTY AND EQUIPMENT, net	 4,508,083	 4,672,556
TOTAL	\$ 5,555,672	\$ 6,279,177
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 15,889	\$ 8,424
Accrued liabilities	44,367	40,809
Line of credit	30,000	-
Current portion of capital lease obligation	10,757	21,112
Current portion of note payable	150,106	139,352
Current portion of deferred rental income	27,500	27,500
Total current liabilities	278,619	237,197
 CAPITAL LEASE OBLIGATION	 -	 10,757
 NOTE PAYABLE	 -	 523,604
 DEFERRED RENTAL INCOME	 740,208	 767,708
Total liabilities	1,018,827	1,539,266
 NET ASSETS:		
Without donor restrictions		
Undesignated	3,844,784	3,973,297
Board designated	549,311	472,515
With donor restrictions	142,750	294,099
Total net assets	4,536,845	4,739,911
TOTAL	\$ 5,555,672	\$ 6,279,177

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

**BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND NET ASSETS RELEASED			
FROM RESTRICTIONS:			
Contributions and other grants	\$ 578,640	\$ 33,269	\$ 611,909
Special events	851,909	142,750	994,659
Government grants	503,195	-	503,195
Contributed goods and services	280,797	-	280,797
Other income	181,556	-	181,556
Net assets released from restrictions	<u>327,368</u>	<u>(327,368)</u>	<u>-</u>
Total revenues and net assets released from restrictions	2,723,465	(151,349)	2,572,116
EXPENSES			
Mentoring program	1,465,367	-	1,465,367
Fundraising	949,755	-	949,755
Management and general	<u>360,060</u>	<u>-</u>	<u>360,060</u>
Total expenses	<u>2,775,182</u>	<u>-</u>	<u>2,775,182</u>
CHANGE IN NET ASSETS	(51,717)	(151,349)	(203,066)
NET ASSETS, beginning of year	<u>4,445,812</u>	<u>294,099</u>	<u>4,739,911</u>
NET ASSETS, end of year	<u>\$ 4,394,095</u>	<u>\$ 142,750</u>	<u>\$ 4,536,845</u>

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

**BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND NET ASSETS RELEASED			
FROM RESTRICTIONS:			
Contributions and other grants	\$ 628,683	\$ 35,194	\$ 663,877
Special events	721,521	127,368	848,889
Government grants	583,151	-	583,151
Contributed goods and services	384,430	-	384,430
Other income	175,050	-	175,050
Net assets released from restrictions	<u>420,000</u>	<u>(420,000)</u>	<u>-</u>
Total revenues and net assets released from restrictions	2,912,835	(257,438)	2,655,397
EXPENSES			
Mentoring program	1,784,626	-	1,784,626
Fundraising	791,105	-	791,105
Management and general	<u>262,549</u>	<u>-</u>	<u>262,549</u>
Total expenses	<u>2,838,280</u>	<u>-</u>	<u>2,838,280</u>
CHANGE IN NET ASSETS	74,555	(257,438)	(182,883)
NET ASSETS, beginning of year	<u>4,371,257</u>	<u>551,537</u>	<u>4,922,794</u>
NET ASSETS, end of year	<u>\$ 4,445,812</u>	<u>\$ 294,099</u>	<u>\$ 4,739,911</u>

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

**BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	Supporting Services			Total	
	Program Services	Fundraising	Management & General		Supporting Services
	Mentoring Program	Fundraising	Management & General	Supporting Services	Total
Personnel Services	\$ 1,106,157	\$ 265,375	\$ 200,835	\$ 466,210	\$ 1,572,367
Fundraising Events	-	270,209	-	270,209	270,209
Professional and Contract Services	29,035	17,504	2,837	20,341	49,376
Communications and Printing	20,083	45,666	11,969	57,635	77,718
Insurance	43,825	9,055	10,031	19,086	62,911
Occupancy	32,080	7,214	9,303	16,517	48,597
Membership Dues	18,639	4,815	2,430	7,245	25,884
Supplies and Refreshments	6,356	2,767	3,537	6,304	12,660
Travel	7,425	1,596	1,382	2,978	10,403
Contributed Rent	67,084	17,889	26,834	44,723	111,807
Equipment Rental and Maintenance	9,593	2,020	1,065	3,085	12,678
Program Events and Activities	2,028	-	-	-	2,028
Volunteer and Client Recruitment	3,135	-	-	-	3,135
Interest Expense	20,733	4,828	2,840	7,668	28,401
Miscellaneous Expenses	1,884	39,370	2,774	42,144	44,028
Total Expenses before Depreciation	1,368,057	688,308	275,837	964,145	2,332,202
Depreciation	97,310	25,949	38,924	64,873	162,183
Total Expenses before Contributed Goods and Services	1,465,367	714,257	314,761	1,029,018	2,494,385
Contributed Goods and Services	-	235,498	45,299	280,797	280,797
Total Expenses	\$ 1,465,367	\$ 949,755	\$ 360,060	\$ 1,309,815	\$ 2,775,182

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

**BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017**

	Supporting Services			
	Program Services	Fundraising	Management & General	Supporting Services
	Mentoring Program			Total
Personnel Services	\$ 1,096,657	\$ 272,716	\$ 134,219	\$ 406,935
Fundraising Events	4,025	220,696	2,725	223,421
Professional and Contract Services	46,928	9,785	11,745	21,530
Communications and Printing	30,929	42,171	12,731	54,902
Insurance	55,500	2,903	464	3,367
Occupancy	30,793	6,567	9,201	15,768
Membership Dues	19,270	3,909	1,721	5,630
Supplies and Refreshments	9,801	3,460	5,924	9,384
Travel	7,941	2,039	1,283	3,322
Contributed Rent	67,084	17,889	26,834	44,723
Equipment Rental and Maintenance	6,716	1,204	5,459	6,663
Program Events and Activities	5,468	93	19	112
Volunteer and Client Recruitment	3,306	-	-	-
Interest Expense	58,551	11,260	5,255	16,515
Miscellaneous Expenses	2,645	30,202	4,307	34,509
Total Expenses before Depreciation	1,445,614	624,894	221,887	846,781
Depreciation	98,029	26,141	39,212	65,353
Total Expenses before Contributed Goods and Services	1,543,643	651,035	261,099	912,134
Contributed Goods and Services	240,983	140,070	1,450	141,520
Total Expenses	\$ 1,784,626	\$ 791,105	\$ 262,549	\$ 1,053,654
				\$ 2,838,280

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

**BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 and 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (203,066)	\$ (182,883)
Adjustments to reconcile change in net assets to net cash used in (provided by) operating activities:		
Change in allowance for uncollectible contributions receivable and discount on long term contributions receivable	(54,658)	(89,448)
Depreciation	162,183	163,382
Gain (loss) on sale of property and equipment	2,954	383
Changes in assets and liabilities that provided (used) cash:		
Accounts and contributions receivable	592,509	1,151,117
Government grants and contracts receivable	29,342	7,740
Prepaid expenses	(8,928)	(9,598)
Accounts payable	7,465	(371,232)
Accrued liabilities	3,558	2,005
Deferred rental income	(27,500)	(27,500)
Net cash used in (provided by) operating activities	503,859	643,966
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(664)	(84,172)
Net cash used in (provided by) investing activities	(664)	(84,172)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligations	(21,112)	(20,236)
Borrowings under line of credit, net	30,000	-
Borrowings (payments) under a note payable, net	(512,850)	(794,758)
Net cash used in (provided by) financing activities	(503,962)	(814,994)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(767)	(255,200)
CASH AND CASH EQUIVALENTS, beginning of year	665,310	920,510
CASH AND CASH EQUIVALENTS, end of year	\$ 664,543	\$ 665,310
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Cash paid for interest	\$ 28,401	\$ 75,066

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

**BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 and 2017**

1. ORGANIZATION

Big Brothers Big Sisters of Central Texas, Inc. (the Agency) is a nonprofit organization created in 1971, whose mission is to help children reach their potential through professionally supported one-to-one mentoring relationships with measurable impact.

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 - The Agency classifies its net assets into two categories as follows:

Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. The Operating Reserve Fund is designated funds set aside by action of the Board of Directors in order to ensure the stability of the mission, programs, employment, and ongoing operations of the organization. Authority for use of Operating Reserves is delegated to the CEO in consultation with the Treasurer or Chair of the Finance Committee.

With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Agency and/or the passage of time. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Agency received \$176,019 and \$162,562 in restricted support in the years ending December 31, 2018 and 2017, respectively.

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 Agency considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Contributions Receivable - Promises to give are recorded at the amount the Agency expects to receive from donors. Promises to give are recorded at net realizable value if expected to be collected in one year and at net present value if expected to be collected in more than one year. The Agency recognizes allowances for estimated uncollectible amounts on donor receivables that are no longer estimated to be collectible. The Agency regularly adjusts any allowance for subsequent collection and final determination that a contribution receivable is no longer collectible.

**BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 and 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Government Grants and Contracts Receivable - Government grants and contracts receivable balances include amounts due from cost reimbursement grant contracts. The Agency considers all grants receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required. Grants are subject to review and audit by the grantor agencies and have certain compliance requirements and, should audits by the grantor agencies disclose any areas of substantial noncompliance, the Agency may be required to refund any disallowed costs. Management believes that the Agency is in compliance with these grantor requirements.

Property and Equipment - The Agency capitalizes property and equipment at cost if purchased, and at fair market value on the date of receipt if donated. Repairs and maintenance costs are charged to expense as incurred. Depreciation expense is calculated using the straight-line method over the following estimated useful lives:

Building and improvements	5-39 years
Furniture and fixtures	5-7 years
Computers and equipment	3-5 years

Impairment of Long-Lived Assets - Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which the carrying amount of the asset exceeds fair value, if the carrying amount of the asset is not recoverable. Management believes there has been no impairment of such assets as of December 31, 2018 or 2017.

Deferred Special Events Revenue - Deferred special events revenue consists of amounts collected in advance for sponsorships for events scheduled in the subsequent year.

Deferred Rental Income - Deferred rental income represents amounts collected in advance for tenant rent and will be amortized over the term of the related lease, expiring in November 2046 (Note 10).

Contributions and Other Grants - Contributions received, including unconditional promises to give, are recorded at fair value as support with or without donor restrictions 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 net assets without donor restrictions if the restrictions expire within the fiscal year in which the contributions were received.

**BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 and 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Government Grants - Revenue from grants received from federal and state governments is earned based on the Agency incurring allowable costs or providing services. Therefore, revenue is recognized as those costs are incurred or the services are provided.

Functional Expense Allocation - The costs of providing the program and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated based on estimates made by management. The expenses that are allocated include the following:

Expense	Method of Allocation
Personnel Services	Time and effort
Professional and Contract Services	Time and effort
Communications and Printing	Time and effort
Insurance	Time and effort
Occupancy	Square footage
Membership Dues	Time and effort
Supplies and Refreshments	Time and effort
Travel	Time and effort
Contributed Rent	Time and effort
Equipment Rental and Maintenance	Time and effort
Interest Expense	Time and effort
Miscellaneous Expenses	Time and effort
Depreciation	Square footage
Contributed Goods and Services	Time and effort

Income Taxes - The Agency 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 Agency did not incur any significant tax liabilities due to unrelated business income during the years ended December 31, 2018 or 2017. The tax returns for the years ending December 31, 2015, 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 Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Agency has adjusted the presentation of these statements accordingly.

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.

**BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 and 2017**

3. AVAILABLE RESOURCES AND LIQUIDITY

The following represents the Agency's financial assets at December 31, 2018:

Financial assets at year-end		
Cash and cash equivalents	\$	664,543
Accounts receivable		2,007
Contributions receivable, net		286,738
Government grants and contracts receivable		<u>75,775</u>
 Total financial assets at year-end		 1,029,063
 Less:		
Long-term contributions receivable, net		(82,348)
 Financial assets available to meet cash needs for general expenditures over the next twelve months		 <u>\$ 946,715</u>

The Agency receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing and central to its annual operations to be available to meet cash needs for general expenditures. The receivables are subject to implied time restrictions but are expected to be collected within one year unless otherwise noted. The Agency manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. In line with its financial management policies, the Agency has a goal to maintain an Operating Reserve, which consists of cash and short-term investments, on hand to meet 3 months of average operating costs. The Agency also has a line of credit in the amount of \$500,000, which it could draw upon to meet cash flow needs.

4. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Agency to credit risk consist of cash and cash equivalents and contributions receivable. The Agency 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. The Agency does not maintain collateral for its receivables. As of December 31, 2018 and 2017, four donors accounted for 52% and two donors accounted for 53% of total contributions receivable, respectively, including capital campaign contributions receivable.

**BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 and 2017**

5. CONTRIBUTIONS AND CAPITAL CAMPAIGN CONTRIBUTIONS RECEIVABLE

Contributions and capital campaign contributions receivable consisted of the following as of December 31:

	2018	2017
Due in less than one year	\$ 204,390	\$ 458,871
One to five years	103,241	440,845
	307,631	899,716
Discount to present value	(14,375)	(57,192)
Allowance for uncollectible pledges	(6,518)	(18,359)
Total	\$ 286,738	\$ 824,165

The present value of estimated future cash flows was calculated using a discount rate of 5.5% and 4.5% at December 31, 2018 and 2017, respectively.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	2018	2017
Buildings and improvements	\$ 4,129,961	\$ 4,129,297
Furniture and fixtures	98,987	98,987
Computers and equipment	66,638	72,743
	4,295,586	4,301,027
Accumulated depreciation	(353,503)	(194,471)
	3,942,083	4,106,556
Land	566,000	566,000
Total property and equipment, net	\$ 4,508,083	\$ 4,672,556

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes as of December 31:

	2018	2017
Long-term contribution receivable (time restricted), net of discount	\$ -	\$ 166,731
Event in future period	142,750	127,368
Total	\$ 142,750	\$ 294,099

**BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 and 2017**

8. CONTRIBUTED GOODS AND SERVICES

The Agency received the following in-kind donations during the years ended December 31:

	2018	2017
Special events	\$ 174,456	\$ 358,918
Goods	54,166	5,908
Non-event media	6,397	14,604
Services	45,778	5,000
Total in-kind donations	<u>\$ 280,797</u>	<u>\$ 384,430</u>

Contributed services are recognized by the Agency if the services received (a) create or enhance non-financial assets and (b) require specialized skill, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Volunteers donated approximately 60,000 and 58,000 hours for volunteer support activities to assist the Agency in performing program, fundraising, and administrative services during the years ended December 31, 2018 and 2017, respectively. However, these volunteer services do not meet the recognition criteria.

During the years ended December 31, 2018 and 2017, the Agency benefited from donated auction items valued at \$53,778 and \$79,568, respectively.

9. CAPITAL LEASE OBLIGATION

During the year ended December 31, 2016, the Agency began leasing equipment under a non-cancelable capital lease agreement. Equipment financed under the capital lease obligation totaled \$10,306, net of accumulated depreciation of \$51,527, as of December 31, 2018. Equipment financed under the capital lease obligation totaled \$30,916, net of accumulated depreciation of \$30,917 as of December 31, 2017, and was included in property and equipment in the statement of financial position.

Future minimum lease payments consisted of the following as of December 31, 2018:

	\$ 11,621
Total minimum lease payments	<u>11,621</u>
Less: amount representing interest	<u>(864)</u>
	10,757
Less: current portion of capital lease obligation	<u>(10,757)</u>
Long term portion of capital lease obligation	<u>\$ -</u>

**BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 and 2017**

10. RENTAL INCOME

During the year ended December 31, 2015, the Agency entered into a lease agreement with an unrelated non-profit party (the Tenant) for the use of a portion of the Agency's facilities that were under construction at the time. In November 2016, both the Agency and the Tenant began utilizing the space, once construction was substantially complete. The Agency retains legal title to the asset throughout the term and upon termination of the lease. Rent payments under the lease are discounted from market rates. The inherent contribution, resulting from the below market rate rent, is being valued at its fair market value and is being recognized as contributed rent expense and rental income over the life of the lease. Rental income is included in other income in the statement of activities, and totaled \$163,806 and \$165,315 during the years ended December 31, 2018 and 2017, respectively.

During the year ended December 31, 2015, the Tenant paid the Agency \$500,000 of pre-rental payments under the lease and the Agency included this amount in deferred rental income as of December 31, 2015. The Agency collected an additional \$325,000 during the year ended December 31, 2016, which completed payment of the Tenant's commitment for a term of thirty years. The lease additionally includes terms which require the Tenant to pay its pro rata portion of operating expenses based on square feet of rentable space, which the Agency will collect in the period expenses are incurred.

11. LONG-TERM DEBT

The Agency has a revolving line of credit with a bank for an available amount of \$500,000 at a variable interest rate, with no collateral. At December 31, 2018 and 2017, \$30,000 and \$0, respectively, were outstanding under the revolving line of credit.

In June 2016 through December 2016, for the purpose of funding construction of the Agency's new building, the Agency borrowed \$1,457,714 under a promissory note, which bears interest at 4.25% per annum. In January 2017, the Agency borrowed an additional \$331,785 under the note. The note is collateralized by land and the building. The note requires the Agency to make monthly payments of principal and interest of \$15,352 beginning on January 28, 2017. All unpaid principal and interest is due on maturity on August 28, 2031. In 2018 and 2017, the Agency made prepayments on the note and is currently scheduled to pay off the note in full before the maturity date of August 28, 2031.

Future maturities of the note were as follows as of December 31, 2018:

2019	\$ 150,106
Total	<u>\$ 150,106</u>

**BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 and 2017**

12. RELATED PARTY TRANSACTIONS

The Agency received contributions totaling \$63,325 and \$57,574 from Board members of the Agency or organizations related to Board members during the years ended December 31, 2018 and 2017, respectively. The Agency received contributions totaling \$50,000 from the Foundation for Big Brothers Big Sisters of Central Texas, Inc. during each of the years ended December 31, 2018 and 2017. As of December 31, 2018 and 2017, pledges receivable included amounts due from Board members totaling \$16,500 and \$47,050, respectively.

13. RETIREMENT PLAN

Effective January 1, 2001, the Agency established a 401(k) Plan for the benefit of all employees. All employees are eligible to participate in the plan and make contributions. During the years ended December 31, 2018 and 2017, the Agency made no contributions.