

**FOUNDATION FOR
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**

**FOUNDATION FOR
BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017**

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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 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 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, 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.

Atchley & Associates, LLP

Austin, Texas

July 17, 2019

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

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 230,299	\$ 22,099
Marketable investments	1,452,194	1,891,211
TOTAL ASSETS	\$ 1,682,493	\$ 1,913,310
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 1,994	\$ 4,634
NET ASSETS		
Board designated without donor restrictions	1,680,499	1,908,676
TOTAL LIABILITIES AND NET ASSETS	\$ 1,682,493	\$ 1,913,310

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, 2018 AND 2017**

	2018	2017
REVENUES		
Investment income, net	\$ (98,561)	\$ 235,591
Total Revenues	(98,561)	235,591
EXPENSES		
Scholarships for tuition and fees	64,030	61,296
Grants to Big Brothers Big Sisters of Central Texas, Inc.	50,000	50,000
Professional services	8,528	8,300
Books and supplies	5,271	6,620
Housing	500	500
Other	1,287	2,879
Total Expenses	129,616	129,595
CHANGE IN NET ASSETS	(228,177)	105,996
NET ASSETS, beginning of year	1,908,676	1,802,680
NET ASSETS, end of year	\$ 1,680,499	\$ 1,908,676

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

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

	Program Services	Fundraising	Management & General	Total
Scholarships for tuition and fees	\$ 64,030	-	-	\$ 64,030
Grants to Big Brothers Big Sisters of Central Texas, Inc.	50,000	-	-	50,000
Professional services	5,117	-	3,411	8,528
Books and supplies	5,271	-	-	5,271
Housing	500	-	-	500
Other	1,030	-	257	1,287
Total Expenses	\$ 125,948	\$ -	\$ 3,668	\$ 129,616

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

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

	Program Services	Fundraising	Management & General	Total
Scholarships for tuition and fees	\$ 61,296	-	-	\$ 61,296
Grants to Big Brothers Big Sisters of Central Texas, Inc.	50,000	-	-	50,000
Professional services	4,980	-	3,320	8,300
Books and supplies	6,620	-	-	6,620
Housing	500	-	-	500
Other	2,623	-	256	2,879
	\$ 126,019	\$ -	\$ 3,576	\$ 129,595

Total Expenses

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, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (228,177)	\$ 105,996
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized gains on investments	(38,316)	(169,912)
Unrealized losses (gains) losses on investments	203,990	(10,127)
Bad debt expense	-	1,599
Changes in assets and liabilities that provided (used) cash:		
Accounts payable	(2,640)	743
Net cash used in operating activities	<u>(65,143)</u>	<u>(71,701)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments, net of purchases and reinvestments	<u>273,343</u>	<u>83,528</u>
Net cash provided by investing activities	<u>273,343</u>	<u>83,528</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	208,200	11,827
CASH AND CASH EQUIVALENTS, beginning of year	<u>22,099</u>	<u>10,272</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 230,299</u></u>	<u><u>\$ 22,099</u></u>

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, 2018 AND 2017**

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 - The Foundation 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.

With Donor Restrictions - 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, 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 Foundation had no net assets with donor restrictions as of December 31, 2018 or 2017.

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, 2018 AND 2017**

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 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.

**FOUNDATION FOR
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

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, 2018 and 2017, 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. Accordingly, certain costs have been allocated based on estimates made by management. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Professional services	Time and effort
Other	Time and effort

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, 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 Foundation 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.

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

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. AVAILABLE RESOURCES AND LIQUIDITY

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

Financial assets at year-end		
Cash and cash equivalents	\$	230,299
Marketable investments		<u>1,452,194</u>
 Total financial assets at year-end		 1,682,493
 Financial assets available to meet cash needs for general expenditures over the next twelve months		 <u><u>\$ 1,682,493</u></u>

The Foundation maintains the Endowment in a mix of marketable investment assets as prescribed by the Foundation's documented investment policy, with cash and cash equivalents representing between 5-15% of the mix and sufficient reserves to fund all Foundation activities. The board of directors approves an annual budget in accordance with spending guidelines as described in Note 6, and reviews detailed expenditures at each quarterly board meeting to confirm that funds are being disbursed appropriately.

5. MARKETABLE INVESTMENTS

Marketable investments consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Equities	\$ 986,369	\$ 1,305,254
Fixed Income	465,825	585,957
Total	<u>\$ 1,452,194</u>	<u>\$ 1,891,211</u>

**FOUNDATION FOR
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

6. ENDOWMENT

In 2001, the Foundation’s Board of Directors (the Board) transferred cash without donor restrictions 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 endowment funds without donor restrictions 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 endowment net assets without donor restrictions for the years ended December 31, follows:

	2018	2017
Endowment net assets, beginning of year	\$ 1,908,676	\$ 1,802,680
Interest and dividends	85,549	73,677
Net realized and unrealized gains (losses)	(165,674)	180,039
Appropriated for expenditure	(148,052)	(147,720)
Endowment net assets, end of year	\$ 1,680,499	\$ 1,908,676

7. RELATED PARTY TRANSACTIONS

During each of the years ended December 31, 2018 and 2017, the Foundation made payments of \$50,000 to the Agency in support of their mission and operations.