

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

**Financial Statements
as of and for the Years Ended
December 31, 2019 and 2018 and
Independent Auditors' Report**

**BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
DECEMBER 31, 2019 AND 2018**

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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, 2019 and 2018, 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 Agency as of December 31, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Agency has changed its method of accounting for revenue from contracts with customers. The Agency adopted the new revenue standard using the full retrospective approach.

Atchley & Associates, LLP

Austin, Texas

May 28, 2020

**BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 325,035	\$ 664,543
Accounts receivable	2,638	2,007
Contributions receivable, net	253,684	204,390
Government grants and contracts receivable	96,530	75,775
Prepaid expense	12,863	18,526
Total Current Assets	690,750	965,241
LONG-TERM CONTRIBUTIONS RECEIVABLE, net	38,686	82,348
PROPERTY AND EQUIPMENT, net	4,410,008	4,508,083
TOTAL ASSETS	\$ 5,139,444	\$ 5,555,672
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 4,979	\$ 15,889
Accrued liabilities	51,485	44,367
Line of credit	-	30,000
Current portion of capital lease obligation	18,864	10,757
Current portion of note payable	-	150,106
Current portion of deferred rental income	27,500	27,500
Deferred revenue- other	21,850	13,675
Total current liabilities	124,678	292,294
CAPITAL LEASE OBLIGATION	30,036	-
DEFERRED RENTAL INCOME	712,708	740,208
Total liabilities	867,422	1,032,502
NET ASSETS:		
Without donor restrictions		
Undesignated	3,865,605	3,879,024
Board designated	212,017	515,071
With donor restrictions	194,400	129,075
Total net assets	4,272,022	4,523,170
TOTAL LIABILITIES AND NET ASSETS	\$ 5,139,444	\$ 5,555,672

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, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND NET ASSETS RELEASED			
FROM RESTRICTIONS:			
Contributions and other grants	\$ 519,961	\$ 88,250	\$ 608,211
Special events	909,484	94,325	1,003,809
Government grants	602,581	-	602,581
Contributed goods and services	136,135	-	136,135
Other income	172,980	-	172,980
Net assets released from restrictions	117,250	(117,250)	-
Total revenues and net assets released from restrictions	2,458,391	65,325	2,523,716
EXPENSES			
Mentoring program	1,490,302	-	1,490,302
Fundraising	867,653	-	867,653
Management and general	416,909	-	416,909
Total expenses	2,774,864	-	2,774,864
CHANGE IN NET ASSETS	(316,473)	65,325	(251,148)
NET ASSETS, beginning of year	4,394,095	129,075	4,523,170
NET ASSETS, end of year	<u>\$ 4,077,622</u>	<u>\$ 194,400</u>	<u>\$ 4,272,022</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, 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	865,121	129,075	994,196
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	314,156	(314,156)	-
Total revenues and net assets released from restrictions	2,723,465	(151,812)	2,571,653
EXPENSES			
Mentoring program	1,465,367	-	1,465,367
Fundraising	949,755	-	949,755
Management and general	360,060	-	360,060
Total expenses	2,775,182	-	2,775,182
CHANGE IN NET ASSETS	(51,717)	(151,812)	(203,529)
NET ASSETS, beginning of year	4,445,812	280,887	4,726,699
NET ASSETS, end of year	\$ 4,394,095	\$ 129,075	\$ 4,523,170

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, 2019**

	Supporting Services				Total
	Program Services	Mentoring Program	Fundraising	Management & General	
Personnel Services	\$ 1,097,812		\$ 289,175	\$ 292,819	\$ 581,994
Fundraising Events	-		293,125	-	293,125
Contributed Rent	81,060		19,007	11,740	30,747
Communications and Printing	27,135		43,580	5,683	49,263
Insurance	42,029		8,764	12,982	21,746
Professional and Contract Services	34,519		16,701	6,304	23,005
Occupancy	31,612		7,737	7,785	15,522
Miscellaneous Expenses	1,538		33,644	1,659	35,303
Membership Dues	22,605		5,730	4,305	10,035
Bad Debt Expense	-		25,373	-	25,373
Interest Expense	9,901		2,322	1,434	3,756
Travel	5,731		2,079	4,805	6,884
Supplies and Refreshments	6,428		3,429	2,498	5,927
Equipment Rental and Maintenance	4,466		1,008	580	1,588
Program Events and Activities	5,365		-	-	-
Volunteer and Client Recruitment	3,683		-	-	-
Total Expenses before Depreciation	1,373,884		751,674	352,594	1,104,268
Depreciation	116,418		27,298	16,861	44,159
Total Expenses before Contributed Goods and Services	1,490,302		778,972	369,455	1,148,427
Contributed Goods and Services	-		88,681	47,454	136,135
Total Expenses	\$ 1,490,302		\$ 867,653	\$ 416,909	\$ 1,284,562
					\$ 2,774,864

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	Mentoring Program	Fundraising	Management & General	
Personnel Services	\$ 1,106,157		\$ 265,375	\$ 200,835	\$ 466,210
Fundraising Events	-	270,209		-	270,209
Contributed Rent	67,084	17,889		26,834	44,723
Communications and Printing	20,083	45,666		11,969	57,635
Insurance	43,825	9,055		10,031	19,086
Professional and Contract Services	29,035	17,504		2,837	20,341
Occupancy	32,080	7,214		9,303	16,517
Miscellaneous Expenses	1,884	39,370		2,774	42,144
Membership Dues	18,639	4,815		2,430	7,245
Bad Debt Expense	-	-		-	-
Interest Expense	20,733	4,828		2,840	7,668
Travel	7,425	1,596		1,382	2,978
Supplies and Refreshments	6,356	2,767		3,537	6,304
Equipment Rental and Maintenance	9,593	2,020		1,065	3,085
Program Events and Activities	2,028	-		-	-
Volunteer and Client Recruitment	3,135	-		-	-
Total Expenses before Depreciation	1,368,057	688,308		275,837	964,145
Depreciation	97,310	25,949		38,924	64,873
Total Expenses before Contributed Goods and Services	1,465,367	714,257		314,761	1,029,018
Contributed Goods and Services	-	235,498		45,299	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.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 and 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (251,148)	\$ (203,529)
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	6,482	(54,658)
Depreciation	160,577	162,183
Gain (loss) on sale of property and equipment	-	2,954
Changes in assets and liabilities that provided (used) cash:		
Accounts and contributions receivable	(12,745)	592,509
Government grants and contracts receivable	(20,755)	29,342
Prepaid expenses	5,663	(8,928)
Accounts payable	(10,910)	7,465
Accrued liabilities	7,118	3,558
Deferred rental income	(27,500)	(27,500)
Deferred revenue - other	8,175	463
Net cash used in (provided by) operating activities	(135,043)	503,859
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(4,500)	(664)
Net cash used in (provided by) investing activities	(4,500)	(664)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligations	(19,859)	(21,112)
Borrowings under line of credit, net	(30,000)	30,000
Payments on note payable	(150,106)	(512,850)
Net cash used in (provided by) financing activities	(199,965)	(503,962)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(339,508)	(767)
CASH AND CASH EQUIVALENTS, beginning of year	664,543	665,310
CASH AND CASH EQUIVALENTS, end of year	\$ 325,035	\$ 664,543
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Cash paid for interest	\$ 6,054	\$ 28,401
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Equipment purchased with long-term debt financing	\$ 58,002	\$ -

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, 2019 and 2018**

1. ORGANIZATION

Big Brothers Big Sisters of Central Texas, Inc. (the Agency) is a nonprofit organization created in 1971, whose mission is to create and support one-to-one mentoring relationships that ignite the power and promise of youth.

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 \$168,900 and \$176,019 in restricted support in the years ending December 31, 2019 and 2018, 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, 2019 and 2018**

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, 2019 or 2018.

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, 2019 and 2018**

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. Expenses have been allocated based on time and effort, except for occupancy and depreciation, which have been allocated based on square footage.

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, 2019 or 2018. The tax returns for the years ending December 31, 2016, 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 - The Agency adopted FASB Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) and additional ASUs issued to clarify the guidance in ASU 2014-09, which amends the existing accounting standards for revenue recognition. The Agency adopted the new revenue standard utilizing the full retrospective method with an effective date of January 1, 2018. The most significant impact of the standard relates to how the Agency recognizes event sponsorship payments received prior to the event occurring. Previously the Agency recorded the full amount as special events revenue with donor restrictions on the statement of activities which would be released from restriction when the event took place. Subsequent to the adoption of ASU 2014-09, the Agency calculates the portion of the event sponsorship payments received in advance that relate to an exchange transaction and records the amount as deferred revenue on the statement of financial position until the event takes place, at which point the deferred revenue is recognized as special events revenue without donor restrictions. See the table below for the impact of the adoption of the FASB ASU 2014-09 to the financial statements.

	Previously reported	Adjustment	As adjusted
	December 31, 2018		
Statement of Financial Position			
Deferred revenue-other	\$ -	\$ 13,675	\$ 13,675
Net assets - With donor restrictions	142,750	(13,675)	129,075

**BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 and 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Statement of Activities	Year ended December 31, 2018		
Special events without donor restrictions	851,909	13,212	865,121
Special events with donor restrictions	142,750	(13,675)	129,075
Net assets released from restrictions	327,368	(13,212)	314,156
Net Assets, beginning of the year			
- With Donor Restrictions	294,099	(13,212)	280,887
Net Assets, end of the year			
- With Donor Restrictions	142,750	(13,675)	129,075

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 (see Note 14).

3. AVAILABLE RESOURCES AND LIQUIDITY

The following represents the Agency's financial assets at December 31, 2019 and 2018:

	2019	2018
Financial assets at year-end		
Cash and cash equivalents	\$ 325,035	\$ 664,543
Accounts receivable	2,638	2,007
Contributions receivable, net	292,370	286,738
Government grants and contracts receivable	96,530	75,775
Total financial assets at year-end	716,573	1,029,063
Less:		
Long-term contributions receivable, net	(38,686)	(82,348)
Financial assets available to meet cash needs for general expenditures over the next twelve months	\$ 677,887	\$ 946,715

**BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 and 2018**

3. AVAILABLE RESOURCES AND LIQUIDITY - CONTINUED

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, 2019 and 2018, four donors accounted for 44% and two donors accounted for 52% of total contributions receivable, respectively, including capital campaign contributions receivable.

5. CONTRIBUTIONS AND CAPITAL CAMPAIGN CONTRIBUTIONS RECEIVABLE

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

	2019	2018
Due in less than one year	\$ 253,684	\$ 204,390
One to five years	66,061	103,241
	<u>319,745</u>	<u>307,631</u>
Discount to present value	(4,668)	(14,375)
Allowance for uncollectible pledges	(22,707)	(6,518)
Total	<u>\$ 292,370</u>	<u>\$ 286,738</u>

The present value of estimated future cash flows was calculated using a discount rate of 4.75% and 5.5% at December 31, 2019 and 2018, respectively.

**BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 and 2018**

6. PROPERTY AND EQUIPMENT

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

	2019	2018
Buildings and improvements	\$ 4,129,961	\$ 4,129,961
Furniture and fixtures	98,987	98,987
Computers and equipment	67,308	66,638
	4,296,256	4,295,586
Accumulated depreciation	(452,248)	(353,503)
	3,844,008	3,942,083
Land	566,000	566,000
Total property and equipment, net	\$ 4,410,008	\$ 4,508,083

7. NET ASSETS WITH DONOR RESTRICTIONS

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

	2019	2018
Event in future period	194,400	129,075

8. CONTRIBUTED GOODS AND SERVICES

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

	2019	2018
Special events	\$ 82,386	\$ 174,456
Goods	-	54,166
Non-event media	53,749	6,397
Services	-	45,778
Total in-kind donations	\$ 136,135	\$ 280,797

**BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 and 2018**

8. CONTRIBUTED GOODS AND SERVICES - CONTINUED

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 60,000 hours for volunteer support activities to assist the Agency in performing program, fundraising, and administrative services during the years ended December 31, 2019 and 2018, respectively. However, these volunteer services do not meet the recognition criteria.

During the years ended December 31, 2019 and 2018, the Agency benefited from donated auction items valued at \$81,812 and \$53,778, 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 \$0, net of accumulated depreciation of \$61,833, as of December 31, 2019. Equipment financed under the capital lease obligation totaled \$10,306, net of accumulated depreciation of \$51,527 as of December 31, 2018, and was included in property and equipment in the statement of financial position. The lease expired in 2019.

On May 28, 2019, the Agency began leasing equipment under a non-cancelable capital lease agreement. Equipment financed under the capital lease obligation totaled \$48,900, net of accumulated depreciation of \$10,390, as of December 31, 2019, 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, 2019:

	2020	18,864
	2021	19,781
	2022	13,313
Total minimum lease payments		<u>51,958</u>
Less: amount representing interest		(3,058)
Less: current portion of capital lease obligation		(18,864)
Long term portion of capital lease obligation		<u><u>\$ 30,036</u></u>

**BIG BROTHERS BIG SISTERS
OF CENTRAL TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 and 2018**

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 \$165,570 and \$163,806 during the years ended December 31, 2019 and 2018, 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 5.5% interest rate, with no collateral. The line of credit matures on May 24, 2020. At December 31, 2019 and 2018, \$0 and \$30,000, 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 2019 and 2018, the Agency made prepayments on the note. In 2019, the loan was paid in full.

12. RELATED PARTY TRANSACTIONS

The Agency received contributions totaling \$88,179 and \$63,325 from Board members of the Agency or organizations related to Board members during the years ended December 31, 2019 and 2018, 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, 2019 and 2018. As of December 31, 2019 and 2018, pledges receivable included amounts due from Board members totaling \$26,500 and \$16,500, respectively.

**BIG BROTHERS BIG SISTERS
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YEARS ENDED DECEMBER 31, 2019 and 2018**

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, 2019 and 2018, the Agency made no contributions.

14. SUBSEQUENT EVENT

The COVID-19 outbreak and local stay-in-place orders has caused business disruptions throughout the local community. Management does not expect the situation to significantly impact the long-term viability of the Agency. The Agency applied for a Paycheck Protection Program loan made available through the passing of the Cares Act and received \$242,300 in April 2020. The Agency expects a significant portion of it to be forgivable.