

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

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2017**

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

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2017**

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## Independent Auditor's Report



Board of Directors  
Big Brothers Big Sisters of South Texas, Inc.  
San Antonio, Texas

We have audited the accompanying financial statements of Big Brothers Big Sisters of South Texas, Inc. (a nonprofit corporation) which comprise the statements of financial position as of December 31, 2017 and 2016, the related statements of activities and functional expenses for the year ended December 31, 2017, the related statements of cash flows for the years ended December 31, 2017 and 2016, 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.

### Auditor's 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 auditor's 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 Big Brothers Big Sisters of South Texas, Inc. as of December 31, 2017 and 2016, and the changes in its net assets for the year ended December 31, 2017, and its cash flows for the years ended December 31, 2017 and 2016 in accordance with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited Big Brothers Big Sisters of South Texas, Inc.'s 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 17, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Sagebiel, Ravenburg & Schuh, P.C.*

San Antonio, Texas  
March 14, 2018

Lincoln Center  
7800 I.H. 10 West, Suite 630  
San Antonio, TX 78230-4750

210•979•7600

FAX 210•979•7679

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

**STATEMENT OF FINANCIAL POSITION**

**December 31, 2017 and 2016**

ASSETS	2017	2016
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,364,546	\$ 1,405,524
Accounts receivable	197,081	458,527
Unconditional promises to give due within one year, net of allowance for uncollectible pledges and discounts	275,988	362,253
Prepaid expenses	<u>12,300</u>	<u>36,665</u>
Total current assets	<u>1,849,915</u>	<u>2,262,969</u>
<b>Property and equipment:</b>		
Land, building, and improvements	2,820,566	2,820,566
Furniture and equipment	363,466	340,959
Work in progress	25,343	-
Less accumulated depreciation	<u>(132,419)</u>	<u>(26,411)</u>
Property and equipment, net	<u>3,076,956</u>	<u>3,135,114</u>
<b>Other assets:</b>		
Deposits	2,210	2,210
Cash and investments designated for deferred maintenance	307,696	313,511
Unconditional promises to give, net of allowance for uncollectible pledges and discounts	<u>258,516</u>	<u>423,106</u>
Total other assets	<u>568,422</u>	<u>738,827</u>
 Total assets	 <u>\$ 5,495,293</u>	 <u>\$ 6,136,910</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 21,776	\$ 53,394
Accrued expenses	<u>46,236</u>	<u>178,480</u>
Total current liabilities	<u>68,012</u>	<u>231,874</u>
<b>Net assets:</b>		
Unrestricted - operations	1,785,769	1,983,774
Unrestricted - fixed assets	<u>3,076,956</u>	<u>3,135,114</u>
Total unrestricted net assets	4,862,725	5,118,888
Temporarily restricted - operations	120,865	117,171
Temporarily restricted - capital campaign	<u>443,691</u>	<u>668,977</u>
Total net assets	<u>5,427,281</u>	<u>5,905,036</u>
 Total liabilities and net assets	 <u>\$ 5,495,293</u>	 <u>\$ 6,136,910</u>

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

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

**STATEMENT OF ACTIVITIES**

**Year Ended December 31, 2017**

(With Comparative Totals for the Year Ended December 31, 2016)

	Unrestricted		Temporarily Restricted		Total	
	Operations	Fixed Assets	Operations	Capital Campaign	2017	2016
<b>Public support and revenue:</b>						
Public support:						
Special events:						
Gross revenue	\$ 594,072	\$ -	\$ -	\$ -	\$ 594,072	\$ 510,890
Less direct expenses	(122,615)	-	-	-	(122,615)	(129,449)
Net special events support	471,457	-	-	-	471,457	381,441
United Way of San Antonio and Bexar County	233,262	-	-	-	233,262	252,160
United Way - other	47,197	-	-	-	47,197	42,094
Contributions	366,994	-	263,255	4,657	634,906	2,890,903
Lease revenue	-	-	-	-	-	37,561
In-kind	17,517	-	-	-	17,517	30,988
Total public support	<u>1,136,427</u>	<u>-</u>	<u>263,255</u>	<u>4,657</u>	<u>1,404,339</u>	<u>3,635,147</u>
Revenue:						
Cost reimbursement grants from governmental and other agencies:						
U.S. Department of Justice	159,541	-	-	-	159,541	144,116
Texas Dept. of Family and Protective Services	91,146	-	-	-	91,146	102,770
Amachi Texas	233,004	-	-	-	233,004	279,107
Big Brothers Big Sisters of America	276,496	-	-	-	276,496	91,061
City of San Antonio	116,965	-	-	-	116,965	112,717
City of Laredo	5,000	-	-	-	5,000	4,000
City of Bryan/College Station	21,856	-	-	-	21,856	15,000
Brazos County	30,000	-	-	-	30,000	-
San Antonio Independent School District	112,171	-	-	-	112,171	337,334
Edgewood Independent School District	15,000	-	-	-	15,000	48,948
U.S. Department of Labor	-	-	-	-	-	156,477
McAllen Independent School District	40,736	-	-	-	40,736	81,338
Investment income	5,069	-	-	-	5,069	2,901
Total revenue	<u>1,106,984</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,106,984</u>	<u>1,375,769</u>
Net assets released from restrictions:						
Restrictions satisfied by payments	489,504	-	(259,561)	(229,943)	-	-
Total public support and revenue	<u>2,732,915</u>	<u>-</u>	<u>3,694</u>	<u>(225,286)</u>	<u>2,511,323</u>	<u>5,010,916</u>
<b>Expenses:</b>						
Program services	2,356,730	90,107	-	-	2,446,837	2,682,499
Supporting services:						
Management and general	169,657	15,901	-	-	185,558	179,647
Fundraising	361,029	-	-	-	361,029	297,912
Total expenses	<u>2,887,416</u>	<u>106,008</u>	<u>-</u>	<u>-</u>	<u>2,993,424</u>	<u>3,160,058</u>
Change in net assets before other gains (losses)	(154,501)	(106,008)	3,694	(225,286)	(482,101)	1,850,858
Gain on sale of property and equipment, net	-	-	-	-	-	974,052
Unrealized gain (loss) on investments	4,346	-	-	-	4,346	1,732
Change in net assets	(150,155)	(106,008)	3,694	(225,286)	(477,755)	2,826,642
<b>Net assets at beginning of year</b>	<u>1,983,774</u>	<u>3,135,114</u>	<u>117,171</u>	<u>668,977</u>	<u>5,905,036</u>	<u>3,078,394</u>
Net interfund transfers	(47,850)	47,850	-	-	-	-
<b>Net assets at end of year</b>	<u>\$ 1,785,769</u>	<u>\$ 3,076,956</u>	<u>\$ 120,865</u>	<u>\$ 443,691</u>	<u>\$ 5,427,281</u>	<u>\$ 5,905,036</u>

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

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

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended December 31, 2017**

(With Comparative Totals for the Year Ended December 31, 2016)

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
				<u>2017</u>	<u>2016</u>
<b>Salaries and related expenses:</b>					
Salaries	\$ 1,431,727	\$ 73,756	\$ 280,381	\$ 1,785,864	\$ 1,880,072
Employee health benefits	144,202	7,210	28,840	180,252	207,070
Retirement	44,256	5,823	8,152	58,231	116,000
Payroll taxes	123,270	6,351	24,140	153,761	162,417
Travel	55,196	9,092	649	64,937	55,725
Total salaries and related expenses	<u>1,798,651</u>	<u>102,232</u>	<u>342,162</u>	<u>2,243,045</u>	<u>2,421,284</u>
<b>Other operating expenses:</b>					
Awards and grants	15,669	-	-	15,669	7,723
Bad debt expense	45,007	-	11,252	56,259	199,007
Conference	43,869	14,623	-	58,492	54,437
Information technology	38,133	5,310	4,827	48,270	40,752
Insurance	41,660	22,432	-	64,092	66,217
Member dues	3,034	94	-	3,128	2,639
Affiliation dues	25,525	789	-	26,314	26,784
Postage	6,412	1,131	-	7,543	4,160
Printing	21,729	3,835	-	25,564	10,213
Professional fees	52,413	558	2,788	55,759	20,763
Rent/Occupancy	84,529	9,392	-	93,921	139,640
Repairs and maintenance	13,163	2,323	-	15,486	11,756
Participant costs	116,911	-	-	116,911	64,020
Specific assistance	10,709	-	-	10,709	5,553
Supplies	12,028	2,122	-	14,150	11,411
Telephone	27,288	4,816	-	32,104	27,220
Total other operating expenses	<u>558,079</u>	<u>67,425</u>	<u>18,867</u>	<u>644,371</u>	<u>692,295</u>
Total expenses before depreciation	2,356,730	169,657	361,029	2,887,416	3,113,579
<b>Depreciation</b>	<u>90,107</u>	<u>15,901</u>	<u>-</u>	<u>106,008</u>	<u>46,479</u>
Total expenses	<u>\$ 2,446,837</u>	<u>\$ 185,558</u>	<u>\$ 361,029</u>	<u>\$ 2,993,424</u>	<u>\$ 3,160,058</u>

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

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

**STATEMENT OF CASH FLOWS**

**Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (477,755)	\$ 2,826,642
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	106,008	46,479
Gain on sale of property and equipment	-	(974,052)
Unrealized (gain) loss on investments	(4,346)	(1,732)
Contributions restricted for capital campaign	(4,657)	(2,039,550)
Change in accounts receivable	261,446	(86,194)
Change in prepaid expenses	24,365	(16,659)
Change in accounts payable	(31,618)	37,506
Change in accrued expenses	(132,244)	(55,887)
Change in cash designated for deferred maintenance	10,161	(237,189)
Change in unconditional promises to give, excluding pledges for capital campaign	<u>25,569</u>	<u>188,888</u>
Net cash used by operating activities	<u>(223,071)</u>	<u>(311,748)</u>
 <b>Cash flows from investing activities:</b>		
Cash and equivalents reserved for capital campaign, net	-	1,072,524
Proceeds from sale of property and equipment, net	-	1,130,762
Purchase of property and equipment	<u>(47,850)</u>	<u>(3,159,557)</u>
Net cash used by investing activities	<u>(47,850)</u>	<u>(956,271)</u>
 <b>Cash flows from financing activities:</b>		
Proceeds from contributions restricted for capital campaign	<u>229,943</u>	<u>1,921,874</u>
Net cash provided by financing activities	<u>229,943</u>	<u>1,921,874</u>
 Net increase (decrease) in cash	(40,978)	653,855
 <b>Cash at beginning of year</b>	<u>1,405,524</u>	<u>751,669</u>
 <b>Cash at end of year</b>	<u>\$ 1,364,546</u>	<u>\$ 1,405,524</u>

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

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

**NOTES TO FINANCIAL STATEMENTS**

**1 NATURE OF ORGANIZATION**

Big Brothers Big Sisters of South Texas, Inc. (hereinafter referred to as BBBS) is a nonprofit corporation whose mission is to promote the positive development of at-risk youth from single-parent families by providing opportunities for them to experience healthy one-to-one relationships with caring adult volunteers. These adults provide a mentorship for the targeted children as they grow to adulthood.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements of BBBS have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board for the format of financial statements of not-for-profit organizations. BBBS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Comparative Financial Information**

The financial information for the year ended December 31, 2016, presented for comparative purposes, is not intended to be a complete financial statement presentation. It is included to provide a basis for comparison with the year ended December 31, 2017.

**Unconditional Promises to Give**

Contributions to the multi-year giving campaign are recognized when the donor makes a pledge. Unconditional promises to give that are expected to be collected within one year are recorded at net realized value. Those that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

**Donated Services and Facilities**

Noncash donations of services and facilities are recorded as contributed at their estimated fair values at the date of donation. Donated facilities, software and equipment use for 2017 and 2016 was valued at \$17,517 and \$30,988 for those years, respectively.

**Expense Allocation**

Expenses are charged to program services based on costs that can be directly identified as those costs associated with the program of the agency. Any expenses not directly chargeable are allocated to programs and supporting service classifications on the basis of management estimates.

**Federal Income Taxes**

BBBS is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code and qualifies for the 50% charitable contributions deduction for individual donors.

(Continued)



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

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Restricted and Unrestricted Revenue and Support**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

BBBS reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 statement of activities as net assets released from restrictions. At December 31, 2017 and 2016, there were no permanently restricted net assets.

**Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

**Cash and Cash Equivalents**

BBBS considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless the investments are held for meeting restrictions for purchase of property and equipment or payment of long-term debt. Cash that is restricted or designated in some manner is classified separately.

**Investments**

Investments are carried at market value for financial statement purposes. A provision for unrealized gains or losses is made each year to adjust to the appropriate value. Realized and unrealized gains and losses are determined by comparison of cost to proceeds or market value, respectively. Cost is determined by historical purchase price or, in the case of any donated investments, the fair market value of those investments at the date of the gift. Market risk could occur and is dependent on the future changes in market price of the various investments held.

**Property and Equipment**

Property and equipment are recorded at either fair value (if donated) or cost. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets.

BBBS generally capitalizes all expenditures for furniture, fixtures, equipment and improvements in excess of \$500. In some cases smaller items may be capitalized where items purchased are deemed by management to have a multi-year useful life.

**Reclassifications**

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

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Subsequent Events**

BBBS' management has evaluated subsequent events through March 14, 2018, which is the date the financial statements were available to be issued.

**3 INVESTMENTS**

BBBS owned the following investments designated for maintenance at December 31, 2017 and 2016:

	2017		2016	
	Cost	Market	Cost	Market
Mutual funds - designated for maintenance	\$ 69,458	\$ 73,633	\$ 65,837	\$ 67,866
Money market funds - designated for maintenance	234,063	234,063	245,645	245,645
	<u>\$ 303,521</u>	<u>\$ 307,696</u>	<u>\$ 311,482</u>	<u>\$ 313,511</u>

Generally accepted accounting principles provide a framework for measuring fair value. That framework establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). At December 31, 2017 and 2016, BBBS' investments consisted of publicly traded mutual funds and money-market mutual funds, which are reported at fair value using a Level 1 measure.

**4 RECEIVABLES AND CREDIT RISK CONCENTRATION**

Accounts receivable at December 31, 2017 and 2016, represent amounts due from the Department of Family and Protective Services, the Department of Justice, San Antonio ISD, City of San Antonio, Amachi Texas, and others for ongoing grants. It also includes smaller amounts due on pledges from individuals.

Management analyzes aging of accounts receivable on a monthly basis. Accounts receivable are considered delinquent when they are over 30 days old. Payment trends by delinquent accounts are considered by management when estimating the allowance for doubtful accounts. At December 31, 2017 and 2016, management estimated the allowance for doubtful accounts to be \$-0-. Accounts determined to be uncollectible by management are initially charged to the allowance for doubtful accounts.

BBBS maintains its cash balances in one financial institution located in San Antonio, Texas. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2017, BBBS' uninsured cash balances totaled \$940,768.

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

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**5 UNCONDITIONAL PROMISES TO GIVE**

BBBS has outstanding unconditional promises to give from an ongoing campaign to raise donations for the agency's programs and operations. At December 31, 2017 and 2016, unconditional promises to give were discounted to present value using an average rate of 2.8% since they are expected to be collected over several years. Pledges are expected to be realized in the following years:

	<u>2017</u>	<u>2016</u>
In one year or less	\$ 352,782	\$ 445,934
Between one and five years	295,580	438,370
	<u>648,362</u>	<u>884,304</u>
Estimated allowance for uncollectible pledges	(103,200)	(85,273)
Present value discount	<u>(10,658)</u>	<u>(13,672)</u>
Net unconditional promises to give	<u>\$ 534,504</u>	<u>\$ 785,359</u>

At December 31, 2017 and 2016, \$443,691 and \$668,977, respectively, of net unconditional promises to give were related to the capital campaign.

**6 REVENUE AND SUPPORT CONCENTRATIONS**

- A. United Way support received totaled \$280,459 and \$294,254 for the years ended December 31, 2017 and 2016, respectively. This equates to 11% and 6% of total revenue and support for each of those periods, respectively. BBBS' remaining approved United Way allocation for the year ending June 30, 2018 is \$106,746.
- B. Net revenue either directly or indirectly generated by fundraising events (primarily Golf Tournament and Bowling) totaled \$471,457 and \$381,441 for the years ended December 31, 2017 and 2016, which represents 19% and 8% of total revenue and support for each of those periods, respectively.
- C. Revenue from Big Brothers Big Sisters of America totaled \$276,496 and \$91,061 for the years ended December 31, 2017 and 2016, respectively, which represents 11% and 2% of total revenue and support for each of those periods, respectively.

**7 TEMPORARILY RESTRICTED NET ASSETS**

The temporarily restricted net assets relate to the capital campaign and several projects that began in prior years as collaborative efforts in cooperation with several other nonprofit organizations. There were also several donor-restricted contributions for programs that were started but not completed during the year ended December 31, 2017.

The temporarily restricted net assets totaled \$564,556 and \$786,148 in restricted contributions received but not used as of December 31, 2017 and 2016, respectively.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**7 TEMPORARILY RESTRICTED NET ASSETS** (Continued)

Temporarily restricted net assets consisted of the following:

	2017	2016
Mentoring Program	\$ -	\$ 42,399
Mentoring - Coastal Bend	34,830	-
Mentoring - Brazos Valley	15,000	-
Promises to give due in future years	51,425	43,772
Outreach and Technology Improvement Project	-	31,000
Summer Internship	5,610	-
Workplace Mentoring	5,000	-
Workplace Mentoring - New Braunfels	9,000	-
Capital Campaign	443,691	668,977
Temporarily restricted net assets	<u>\$ 564,556</u>	<u>\$ 786,148</u>

**8 FEES FROM FEDERAL GOVERNMENTAL AGENCIES**

This revenue consists of the following:

	2017		2016	
	Amount	Percent of Total Support and Revenue	Amount	Percent of Total Support and Revenue
Promoting Safe and Stable Families under a contract with the Texas Department of Family and Protective Services	\$ 73,174	2.9%	\$ 86,750	1.7%
Temporary Assistance for Needy Families under a contract with the Texas Education Agency- Amachi Texas	233,004	9.3%	279,107	5.6%
Youth Workforce Opportunity Initiative under a contract with U.S. Department of Labor	-	0.0%	156,477	3.1%
Juvenile Mentoring and Crime Victim Assistance Programs under contracts with U.S. Department of Justice	436,037	17.4%	235,177	4.7%
Community Development Block Grants from U.S. Department of Housing and Urban Development	26,856	1.1%	19,000	0.4%
Gaining Early Awareness and Readiness for Undergraduate Programs under a contract from U.S. Department of Education	167,907	6.7%	467,620	9.3%
Total	<u>\$ 936,978</u>	<u>37.4%</u>	<u>\$ 1,244,131</u>	<u>24.8%</u>

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

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**9 PENSION PLAN**

BBBS has established a discretionary simplified employee pension – individual retirement account contribution agreement under §408(k) of the Internal Revenue Code. The agreement covers all employees who are at least 18 years old and worked in at least two years of the immediately preceding five years. The agreement calls for contributions to be made to the individual retirement accounts of all eligible employees.

BBBS is not required to make any contributions in any given year. However, any contributions made must be based on the same percentage of each employee's compensation. The pension contributions for BBBS totaled \$58,231 and \$116,000 for periods ending December 31, 2017 and 2016.

**10 OPERATING LEASES**

BBBS is party to a noncancellable operating lease for office equipment expiring in 2019, and a noncancellable operating lease for office space expiring in 2018. The following is the future minimum rental payments under these leases:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 8,660
2019	6,120
	<u>\$ 14,780</u>

Rental expenses totaled \$38,985 and \$38,634, respectively, for the years ended December 31, 2017 and 2016.

**11 COMMITMENTS AND CONTINGENCIES**

BBBS participates in several state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that BBBS has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of BBBS, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**12 RELATED PARTY TRANSACTIONS**

At December 31, 2017 and 2016, unconditional promises to give included \$153,900 and \$195,843 due for capital campaign pledges from members of the board of BBBS.