

BIG BROTHERS BIG SISTERS OF SOUTH TEXAS, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

BIG BROTHERS BIG SISTERS OF SOUTH TEXAS, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2018

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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 organization) which comprise the statements of financial position as of December 31, 2018 and 2017, the related statements of activities and functional expenses for the year ended December 31, 2018, the related statements of cash flows for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, and the changes in its net assets for the year ended December 31, 2018, and its cash flows for the years ended December 31, 2018 and 2017 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 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, 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 15, 2019

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BIG BROTHERS BIG SISTERS OF SOUTH TEXAS, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2018 and 2017

ASSETS	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 606,581	\$ 1,364,546
Accounts receivable	186,407	197,081
Unconditional promises to give due within one year, net of allowance for uncollectible pledges and discounts	146,051	275,988
Prepaid expenses	<u>15,669</u>	<u>12,300</u>
Total current assets	<u>954,708</u>	<u>1,849,915</u>
Investments	<u>1,045,424</u>	<u>-</u>
Property and equipment:		
Land, building, and improvements	2,820,566	2,820,566
Furniture and equipment	393,072	363,466
Work in progress	-	25,343
Less accumulated depreciation	<u>(252,111)</u>	<u>(132,419)</u>
Property and equipment, net	<u>2,961,527</u>	<u>3,076,956</u>
Other assets:		
Deposits	1,060	2,210
Cash and investments designated for deferred maintenance	296,151	307,696
Unconditional promises to give, net of allowance for uncollectible pledges and discounts	<u>133,348</u>	<u>258,516</u>
Total other assets	<u>430,559</u>	<u>568,422</u>
 Total assets	 <u>\$ 5,392,218</u>	 <u>\$ 5,495,293</u>
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 28,101	\$ 21,776
Accrued expenses	<u>79,052</u>	<u>46,236</u>
Total current liabilities	<u>107,153</u>	<u>68,012</u>
Net assets:		
Without donor restrictions:		
Undesignated	1,742,857	1,478,073
Invested in fixed assets	2,961,527	3,076,956
Designated by the board for deferred maintenance	<u>296,151</u>	<u>307,696</u>
Total net assets without donor restrictions	<u>5,000,535</u>	<u>4,862,725</u>
With donor restrictions:		
Restricted for Capital Campaign	210,031	443,691
Purpose restricted, other than Capital Campaign	39,782	69,440
Time-restricted only, for years after 2019	<u>34,717</u>	<u>51,425</u>
Total net assets with donor restrictions	<u>284,530</u>	<u>564,556</u>
Total net assets	<u>5,285,065</u>	<u>5,427,281</u>
 Total liabilities and net assets	 <u>\$ 5,392,218</u>	 <u>\$ 5,495,293</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, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	Without donor restrictions	With donor restrictions	Total	
			<u>2018</u>	<u>2017</u>
Public support and revenue:				
Public support:				
Special events:				
Gross revenue	\$ 616,506	\$ -	\$ 616,506	\$ 594,072
Less direct expenses	<u>(114,339)</u>	<u>-</u>	<u>(114,339)</u>	<u>(122,615)</u>
Net special events support	502,167	-	502,167	471,457
United Way of San Antonio and Bexar County	201,827	-	201,827	233,262
United Way - other	55,008	-	55,008	47,197
Contributions	437,037	299,583	736,620	634,906
In-kind	<u>3,305</u>	<u>-</u>	<u>3,305</u>	<u>17,517</u>
Total public support	<u>1,199,344</u>	<u>299,583</u>	<u>1,498,927</u>	<u>1,404,339</u>
Revenue:				
Cost reimbursement grants from governmental and other agencies:				
U.S. Department of Justice	238,690	-	238,690	363,509
Texas Dept. of Family and Protective Services	91,448	-	91,448	91,146
Amachi Texas	105,113	-	105,113	233,004
Big Brothers Big Sisters of America	146,873	-	146,873	72,528
City of San Antonio	110,185	-	110,185	116,965
City of Laredo	-	-	-	5,000
City of Bryan/College Station	29,216	-	29,216	21,856
Brazos County	20,000	-	20,000	30,000
San Antonio Independent School District	78,054	-	78,054	112,171
Edgewood Independent School District	30,000	-	30,000	15,000
McAllen Independent School District	-	-	-	40,736
Nueces County	1,300	-	1,300	-
Corpus Christi School District	9,600	-	9,600	-
West Oso	12,500	-	12,500	-
Texas Veterans Commission	70,232	-	70,232	-
Investment income	<u>21,895</u>	<u>-</u>	<u>21,895</u>	<u>5,069</u>
Total revenue	<u>965,106</u>	<u>-</u>	<u>965,106</u>	<u>1,106,984</u>
Net assets released from restrictions:				
Restrictions satisfied by payments	<u>579,609</u>	<u>(579,609)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>2,744,059</u>	<u>(280,026)</u>	<u>2,464,033</u>	<u>2,511,323</u>
Expenses:				
Program services	1,970,571	-	1,970,571	2,446,837
Supporting services:				
Management and general	187,689	-	187,689	185,558
Fundraising	<u>418,043</u>	<u>-</u>	<u>418,043</u>	<u>361,029</u>
Total expenses	<u>2,576,303</u>	<u>-</u>	<u>2,576,303</u>	<u>2,993,424</u>
Change in net assets before unrealized gains (losses) on investments	167,756	(280,026)	(112,270)	(482,101)
Unrealized gain (loss) on investments	<u>(29,946)</u>	<u>-</u>	<u>(29,946)</u>	<u>4,346</u>
Change in net assets	137,810	(280,026)	(142,216)	(477,755)
Net assets at beginning of year	<u>4,862,725</u>	<u>564,556</u>	<u>5,427,281</u>	<u>5,905,036</u>
Net assets at end of year	<u>\$ 5,000,535</u>	<u>\$ 284,530</u>	<u>\$ 5,285,065</u>	<u>\$ 5,427,281</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, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
				<u>2018</u>	<u>2017</u>
Salaries and related expenses:					
Salaries	\$ 1,199,426	\$ 76,886	\$ 261,413	\$ 1,537,725	\$ 1,785,864
Employee health benefits	96,174	6,165	20,961	123,300	180,252
Retirement	67,500	7,200	15,300	90,000	58,231
Payroll taxes	107,470	6,889	23,423	137,782	153,761
Travel	45,031	7,417	530	52,978	64,937
Total salaries and related expenses	<u>1,515,601</u>	<u>104,557</u>	<u>321,627</u>	<u>1,941,785</u>	<u>2,243,045</u>
Other operating expenses:					
Awards and grants	11,754	-	-	11,754	15,669
Bad debt expense	-	-	91,403	91,403	56,259
Conference	20,848	6,949	-	27,797	58,492
Information technology	39,600	5,513	5,013	50,126	48,270
Insurance	41,582	22,390	-	63,972	64,092
Member dues	4,107	127	-	4,234	3,128
Affiliation dues	23,849	738	-	24,587	26,314
Postage	4,773	842	-	5,615	7,543
Printing	6,974	1,231	-	8,205	25,564
Professional fees	32,328	11,358	-	43,686	55,759
Rent/Occupancy	68,521	7,613	-	76,134	93,921
Repairs and maintenance	17,742	3,131	-	20,873	15,486
Participant costs	46,633	-	-	46,633	116,911
Specific assistance	4,563	-	-	4,563	10,709
Supplies	5,755	1,015	-	6,770	14,150
Telephone	24,203	4,271	-	28,474	32,104
Total other operating expenses	<u>353,232</u>	<u>65,178</u>	<u>96,416</u>	<u>514,826</u>	<u>644,371</u>
Total expenses before depreciation	1,868,833	169,735	418,043	2,456,611	2,887,416
Depreciation	<u>101,738</u>	<u>17,954</u>	<u>-</u>	<u>119,692</u>	<u>106,008</u>
Total expenses	<u>\$ 1,970,571</u>	<u>\$ 187,689</u>	<u>\$ 418,043</u>	<u>\$ 2,576,303</u>	<u>\$ 2,993,424</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (142,216)	\$ (477,755)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	119,692	106,008
Unrealized (gain) loss on investments	29,946	(4,346)
Contributions restricted for capital campaign	(1,840)	(4,657)
Change in accounts receivable	10,674	261,446
Change in prepaid expenses	(3,369)	24,365
Change in accounts payable	6,325	(31,618)
Change in accrued expenses	32,816	(132,244)
Change in deposits	1,150	-
Change in cash designated for deferred maintenance	(62,334)	10,161
Change in unconditional promises to give, excluding pledges for capital campaign	<u>21,445</u>	<u>25,569</u>
Net cash provided (used) by operating activities	<u>12,289</u>	<u>(223,071)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(4,263)	(47,850)
Proceeds from sales and maturities of investments	187,000	-
Purchase of investments	<u>(1,188,491)</u>	<u>-</u>
Net cash used by investing activities	<u>(1,005,754)</u>	<u>(47,850)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for capital campaign	<u>235,500</u>	<u>229,943</u>
Net cash provided by financing activities	<u>235,500</u>	<u>229,943</u>
 Net decrease in cash	 (757,965)	 (40,978)
Cash at beginning of year	<u>1,364,546</u>	<u>1,405,524</u>
Cash at end of year	<u>\$ 606,581</u>	<u>\$ 1,364,546</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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Comparative Financial Information

The financial information for the year ended December 31, 2017, 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, 2018.

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 realizable 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 2018 and 2017 was valued at \$3,305 and \$17,517 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 net assets with donor restrictions or net assets without donor restrictions, 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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 15, 2019, which is the date the financial statements were available to be issued.

3 INVESTMENTS

BBBS owned the following investments at December 31, 2018 and 2017:

	2018		2017	
	Cost	Market	Cost	Market
Undesignated:				
Mutual funds	\$ 320,019	\$ 296,126	\$ -	\$ -
Corporate bonds	750,000	749,298	-	-
Total undesignated	<u>1,070,019</u>	<u>1,045,424</u>	<u>-</u>	<u>-</u>
Designated for maintenance:				
Money market funds	296,151	296,151	234,063	234,063
Mutual funds	-	-	69,458	73,633
Total designated for maintenance	<u>296,151</u>	<u>296,151</u>	<u>303,521</u>	<u>307,696</u>
	<u>\$ 1,366,170</u>	<u>\$ 1,341,575</u>	<u>\$ 303,521</u>	<u>\$ 307,696</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, 2018 and 2017, BBBS' investments consisted of publicly traded mutual funds and money-market mutual funds, which are reported at fair value using a Level 1 measure, and corporate bonds, which are reported at fair value using a Level 2 measure. Level 1 fair value estimates are based on quoted prices in active markets for identical assets or liabilities; Level 2 fair value estimates are based on observable inputs other than quoted market prices for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data.

4 RECEIVABLES AND CREDIT RISK CONCENTRATION

Accounts receivable at December 31, 2018 and 2017, 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, 2018 and 2017, 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, 2018, BBBS' uninsured cash balances totaled \$229,339.

(Continued)

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, 2018 and 2017, unconditional promises to give were discounted to present value using an average rate of 2.35% since they are expected to be collected over several years. Pledges are expected to be realized in the following years:

	<u>2018</u>	<u>2017</u>
In one year or less	\$ 238,508	\$ 352,782
Between one and five years	<u>216,410</u>	<u>295,580</u>
	454,918	648,362
Estimated allowance for uncollectible pledges	(167,673)	(103,200)
Present value discount	<u>(7,846)</u>	<u>(10,658)</u>
Net unconditional promises to give	<u>\$ 279,399</u>	<u>\$ 534,504</u>

At December 31, 2018 and 2017, \$210,031 and \$443,691, respectively, of net unconditional promises to give were related to the capital campaign.

6 REVENUE AND SUPPORT CONCENTRATIONS

- A. United Way support received totaled \$256,835 and \$280,459 for the years ended December 31, 2018 and 2017, respectively. This equates to 10% of total revenue and support for both of those periods. BBBS' remaining approved United Way allocation for the year ending June 30, 2019 is \$94,582.
- B. Net revenue either directly or indirectly generated by fundraising events (primarily Golf Tournament and Bowling) totaled \$502,167 and \$471,457 for the years ended December 31, 2018 and 2017, which represents 20% and 19% of total revenue and support for each of those periods, respectively.
- C. Revenue from Big Brothers Big Sisters of America totaled \$146,873 and \$72,528 for the years ended December 31, 2018 and 2017, respectively, which represents 6% and 3% of total revenue and support for each of those periods, respectively.

7 NET ASSETS WITH DONOR RESTRICTIONS

The net assets with donor restrictions 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, 2018.

The net assets with donor restrictions totaled \$284,530 and \$564,556 in restricted contributions received but not used as of December 31, 2018 and 2017, respectively.

(Continued)

BIG BROTHERS BIG SISTERS OF SOUTH TEXAS, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

7 NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets with donor restrictions consisted of the following:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Mentoring - Coastal Bend	\$ 36,161	\$ 34,830
Mentoring - Brazos Valley	-	15,000
Job Program	3,621	-
Summer Internship	-	5,610
Workplace Mentoring	-	5,000
Workplace Mentoring - New Braunfels	-	9,000
Capital Campaign	111,400	236,600
Subject to expenditure in fiscal years after 2019	34,717	51,425
Subject to both time and purpose restrictions:		
Capital Campaign pledges due after 2019	<u>98,631</u>	<u>207,091</u>
Net assets with donor restrictions	<u>\$ 284,530</u>	<u>\$ 564,556</u>

8 FEES FROM FEDERAL GOVERNMENTAL AGENCIES

This revenue consists of the following:

	<u>2018</u>		<u>2017</u>	
	<u>Amount</u>	<u>Percent of Total Support and Revenue</u>	<u>Amount</u>	<u>Percent of Total Support and Revenue</u>
Promoting Safe and Stable Families under a contract with the Texas Department of Family and Protective Services	\$ 75,361	3.1%	\$ 73,174	2.9%
Temporary Assistance for Needy Families under a contract with the Texas Education Agency-Amachi Texas	105,113	4.3%	233,004	9.3%
Juvenile Mentoring Program under contracts with U.S. Department of Justice and Big Brothers Big Sisters of America	385,563	15.6%	436,037	17.4%
Community Development Block Grants from U.S. Department of Housing and Urban Development	29,216	1.2%	26,856	1.1%
Gaining Early Awareness and Readiness for Undergraduate Programs under contracts from U.S. Department of Education and various school districts	<u>130,154</u>	<u>5.3%</u>	<u>167,907</u>	<u>6.7%</u>
Total	<u>\$ 725,407</u>	<u>29.5%</u>	<u>\$ 936,978</u>	<u>37.4%</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 \$90,000 and \$58,231 for periods ending December 31, 2018 and 2017.

10 OPERATING LEASES

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	<u>\$ 6,120</u>
	<u>\$ 6,120</u>

Rental expenses totaled \$25,795 and \$38,985, respectively, for the years ended December 31, 2018 and 2017.

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, 2018 and 2017, unconditional promises to give included \$151,400 and \$153,900 due for capital campaign pledges from members of the board of BBBS.

BIG BROTHERS BIG SISTERS OF SOUTH TEXAS, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

13 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects BBBS's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Donor-restricted amounts that are available for use within one year for general purposes include amounts restricted for expenditure in the upcoming fiscal year. Accounts receivable are subject to an implied time restriction but are expected to be collected within one year, except for promises to give that are due in future years. BBBS plans to keep cash and cash equivalents on hand that are adequate to cover two months of regular operating expenses, and invests any surplus in a variety of investments that include mutual funds and corporate bonds.

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 606,581	\$ 1,364,546
Investments	1,341,575	307,696
Accounts receivable	186,407	197,081
Unconditional promises to give, net	<u>279,399</u>	<u>534,504</u>
Financial assets at year end	2,413,962	2,403,827
Less those unavailable for general expenditure within one year, due to:		
Promises to give due in future years	(133,348)	(258,516)
Board-designated for deferred maintenance	(296,151)	(307,696)
Donor-restricted to expenditure for specific purposes	<u>(151,182)</u>	<u>(306,040)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,833,281</u>	<u>\$ 1,531,575</u>