



**Big Brothers Big Sisters Lone Star and Affiliate**

**Consolidated Financial Statements  
with Compliance Reports and Supplementary Information  
December 31, 2016 and 2015**

# Big Brothers Big Sisters Lone Star and Affiliate

## Contents

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### Consolidated Financial Statements:

Independent Auditors' Report	1
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	6
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	10

### Supplementary Information:

Big Brothers Big Sisters Lone Star - Schedules of Financial Position	26
Big Brothers Big Sisters Lone Star - Schedules of Activities	27
Big Brothers Big Sisters Lone Star Foundation - Schedules of Financial Position	29
Big Brothers Big Sisters Lone Star Foundation - Schedules of Activities	30

## **Independent Auditors' Report**

Boards of Directors  
Big Brothers Big Sisters Lone Star  
and Affiliate

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Big Brothers Big Sisters Lone Star and Affiliate (Organization) (nonprofit organizations), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Big Brothers Big Sisters Lone Star and Affiliate as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

## **Other Matters**

### *Supplementary and Other Information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedules of financial position and activities of Big Brothers Big Sisters Lone Star and Big Brothers Big Sisters Lone Star Foundation are presented for purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. This information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, such information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.



A Limited Liability Partnership

Arlington, Texas  
May 5, 2017

**Big Brothers Big Sisters Lone Star and Affiliate**  
**Consolidated Statements of Financial Position**  
**December 31, 2016 and 2015**

<b>Assets</b>		
	2016	2015
Cash and cash equivalents	\$ 1,494,762	\$ 2,849,804
Cash held for construction	2,660,897	-
Investments held for sale	143,172	-
Unconditional promises to give, net	575,505	1,269,279
Accounts receivable	348,167	260,055
Investments in marketable securities	1,559,036	1,348,308
Prepaid expenses	103,647	78,179
Property and equipment, net	10,630,017	7,795,584
Cash surrender value of life insurance policies	276,310	246,197
Assets restricted for permanent endowment:		
Cash and cash equivalents	175,167	115,000
Investments in marketable securities	732,500	597,500
Unconditional promises to give, net	75,000	205,422
Deferred rent	55,814	-
Other assets	1,750	1,750
<b>Total assets</b>	<b>\$ 18,831,744</b>	<b>\$ 14,767,078</b>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 994,471	\$ 276,157
Salaries payable	180,235	225,175
Payroll liabilities	266,246	308,882
Scholarships payable	29,096	28,800
Long-term debt, net	8,182,179	4,824,902
Other liabilities	54,951	35,135
<b>Total liabilities</b>	9,707,178	5,699,051
Unrestricted net assets	7,224,387	5,855,235
Temporarily restricted net assets	917,512	2,290,292
Permanently restricted net assets	982,667	922,500
<b>Total net assets</b>	9,124,566	9,068,027
<b>Total liabilities and net assets</b>	<b>\$ 18,831,744</b>	<b>\$ 14,767,078</b>

See notes to consolidated financial statements.

**Big Brothers Big Sisters Lone Star and Affiliate**  
**Consolidated Statement of Activities**  
**Year Ended December 31, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and support:</b>				
Corporate support	\$1,142,290	\$ -	\$ -	\$1,142,290
Individual giving	1,706,965	16,900	100,167	1,824,032
Foundations	1,486,811	465,000	-	1,951,811
United Way allocations	1,197,773	-	-	1,197,773
Government grants and contracts	2,139,031	-	-	2,139,031
Special events (net of direct costs of \$749,063)	2,466,334	-	-	2,466,334
In-kind contributions	1,265,613	-	-	1,265,613
Miscellaneous income	331,545	-	-	331,545
Net assets released from restrictions	1,910,111	(1,910,111)	-	-
<b>Total revenue and support</b>	<b>13,646,473</b>	<b>(1,428,211)</b>	<b>100,167</b>	<b>12,318,429</b>
<b>Operating expenses:</b>				
<b>Program services:</b>				
Program expense	9,069,362	-	-	9,069,362
<b>Supporting services:</b>				
Administrative expense	1,475,164	-	-	1,475,164
Fundraising expense	1,734,856	-	-	1,734,856
<b>Total operating expenses</b>	<b>12,279,382</b>	<b>-</b>	<b>-</b>	<b>12,279,382</b>
<b>Excess (deficit) of revenue over operating expenses</b>	<b>1,367,091</b>	<b>(1,428,211)</b>	<b>100,167</b>	<b>39,047</b>
<b>Non-operating gains (losses) and other income (expense):</b>				
Dividend income	61,178	64,835	-	126,013
Realized and unrealized gains on investments	31,234	30,096	-	61,330
Interest income	89	-	-	89
Other income (expense), net	13,278	-	-	13,278
Uncollectible promises to give	(103,718)	(39,500)	(40,000)	(183,218)
<b>Total non-operating gains (losses) and other income (expense)</b>	<b>2,061</b>	<b>55,431</b>	<b>(40,000)</b>	<b>17,492</b>
<b>Increase (decrease) in net assets</b>	<b>1,369,152</b>	<b>(1,372,780)</b>	<b>60,167</b>	<b>56,539</b>
<b>Net assets at beginning of year</b>	<b>5,855,235</b>	<b>2,290,292</b>	<b>922,500</b>	<b>9,068,027</b>
<b>Net assets at end of year</b>	<b>\$7,224,387</b>	<b>\$ 917,512</b>	<b>\$ 982,667</b>	<b>\$9,124,566</b>

See notes to consolidated financial statements.

**Big Brothers Big Sisters Lone Star and Affiliate**  
**Consolidated Statement of Activities**  
**Year Ended December 31, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and support:</b>				
Corporate support	\$1,244,163	\$ 60,000	\$ -	\$1,304,163
Individual giving	1,753,292	475,115	-	2,228,407
Foundations	1,172,093	351,000	-	1,523,093
United Way allocations	1,272,306	-	-	1,272,306
Government grants and contracts	2,061,296	-	-	2,061,296
Special events (net of direct costs of \$745,320)	2,576,031	-	-	2,576,031
In-kind contributions	1,028,777	-	-	1,028,777
Miscellaneous income	467,311	-	-	467,311
Net assets released from restrictions	177,142	(177,142)	-	-
<b>Total revenue and support</b>	<b>11,752,411</b>	<b>708,973</b>	<b>-</b>	<b>12,461,384</b>
<b>Operating expenses:</b>				
<b>Program services:</b>				
Program expense	9,902,487	-	-	9,902,487
<b>Supporting services:</b>				
Administrative expense	1,335,496	-	-	1,335,496
Fundraising expense	2,087,131	-	-	2,087,131
<b>Total operating expenses</b>	<b>13,325,114</b>	<b>-</b>	<b>-</b>	<b>13,325,114</b>
<b>Excess (deficit) of revenue over operating expenses</b>	<b>(1,572,703)</b>	<b>708,973</b>	<b>-</b>	<b>(863,730)</b>
<b>Non-operating gains (losses) and other income (expense):</b>				
Dividend income	47,219	18,723	-	65,942
Realized and unrealized losses on investments	(85,747)	(35,141)	-	(120,888)
Interest income	18,384	-	-	18,384
Gain on involuntary conversion	2,513	-	-	2,513
Gain on sale of property	83,712	-	-	83,712
Other income	371,251	-	-	371,251
Uncollectible promises to give	(144,000)	(30,000)	-	(174,000)
<b>Total non-operating gains (losses) and other income (expense)</b>	<b>293,332</b>	<b>(46,418)</b>	<b>-</b>	<b>246,914</b>
<b>Increase (decrease) in net assets</b>	<b>(1,279,371)</b>	<b>662,555</b>	<b>-</b>	<b>(616,816)</b>
<b>Net assets at beginning of year</b>	<b>7,134,606</b>	<b>1,627,737</b>	<b>922,500</b>	<b>9,684,843</b>
<b>Net assets at end of year</b>	<b>\$5,855,235</b>	<b>\$2,290,292</b>	<b>\$ 922,500</b>	<b>\$9,068,027</b>

See notes to consolidated financial statements.

**Big Brothers Big Sisters Lone Star and Affiliate**  
**Consolidated Statement of Functional Expenses**  
**Year Ended December 31, 2016**

	Program Expense	Administrative Expense	Fundraising Expense	Total
Payroll and related costs	\$ 5,771,882	\$ 704,725	\$ 1,160,245	\$ 7,636,852
Professional fees and contracted services	254,253	143,026	38,928	436,207
Supplies and materials	60,221	6,206	9,033	75,460
Communications	83,094	8,309	12,464	103,867
Occupancy	350,840	35,934	52,838	439,612
Travel and transportation	74,676	7,468	11,201	93,345
Conferences and staff development	37,924	3,792	5,688	47,404
Program activity	210,855	-	-	210,855
Marketing and recruitment	60,964	89	1,291	62,344
Membership and dues	66,752	13,732	10,013	90,497
Equipment	126,645	12,664	18,997	158,306
Insurance	77,362	7,736	11,605	96,703
Interest	-	200,579	-	200,579
Fundraising	26,356	-	149,348	175,704
Depreciation and amortization	246,208	107,661	107,662	461,531
Donated rent	828,755	190,036	123,894	1,142,685
Other	144,816	33,207	21,649	199,672
Payments to subrecipients	647,759	-	-	647,759
<b>Total expenses before uncollectible promises to give</b>	<b>9,069,362</b>	<b>1,475,164</b>	<b>1,734,856</b>	<b>12,279,382</b>
Uncollectible promises to give	-	183,218	-	183,218
<b>Total expenses</b>	<b>\$ 9,069,362</b>	<b>\$ 1,658,382</b>	<b>\$ 1,734,856</b>	<b>\$ 12,462,600</b>

See notes to consolidated financial statements.



**Big Brothers Big Sisters Lone Star and Affiliate**  
**Consolidated Statement of Functional Expenses**  
**Year Ended December 31, 2015**

	Program Expense	Administrative Expense	Fundraising Expense	Total
Payroll and related costs	\$ 7,045,576	\$ 704,557	\$ 1,533,475	\$ 9,283,608
Professional fees and contracted services	238,985	64,121	58,361	361,467
Supplies and materials	72,530	7,253	10,879	90,662
Communications	137,813	13,781	20,672	172,266
Occupancy	370,182	37,161	55,563	462,906
Travel and transportation	90,645	9,052	22,106	121,803
Conferences and staff development	58,218	5,822	8,733	72,773
Program activity	226,559	-	-	226,559
Marketing and recruitment	60,944	245	2,224	63,413
Membership and dues	62,733	13,330	9,410	85,473
Equipment	126,860	12,686	19,029	158,575
Insurance	79,439	7,944	11,916	99,299
Interest	-	169,642	-	169,642
Fundraising	26,082	-	147,797	173,879
Depreciation and amortization	251,521	110,063	110,063	471,647
Donated rent	317,610	125,545	53,685	496,840
Other	137,356	54,294	23,218	214,868
Payments to subrecipients	599,434	-	-	599,434
<b>Total expenses before uncollectible promises to give</b>	<b>9,902,487</b>	<b>1,335,496</b>	<b>2,087,131</b>	<b>13,325,114</b>
Uncollectible promises to give	-	174,000	-	174,000
<b>Total expenses</b>	<b>\$ 9,902,487</b>	<b>\$ 1,509,496</b>	<b>\$ 2,087,131</b>	<b>\$ 13,499,114</b>

See notes to consolidated financial statements.

**Big Brothers Big Sisters Lone Star and Affiliate**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2016 and 2015**

	2016	2015
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	\$ 56,539	\$ (616,816)
<b>Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:</b>		
Depreciation and amortization	460,730	471,647
In-kind donation of capitalized asset	-	(280,284)
Realized and unrealized (gains) losses on investments	(61,330)	120,888
Gain on involuntary conversion	-	(2,513)
Gain on sale of property	-	(83,712)
Contributions restricted for investment in endowment	(100,167)	-
Allowance for doubtful accounts	(78,866)	131,414
In-kind donation of stock held for sale	(143,172)	-
Amortization of debt issuance costs	801	-
<b>Amortization of discount:</b>		
Unconditional promises to give restricted for permanent endowment	(4,578)	(2,805)
Other unconditional promises to give	(3,289)	(17,240)
<b>Changes in assets and liabilities:</b>		
Unconditional promises to give	815,929	160,521
Accounts receivable	(88,112)	53,025
Prepaid expenses	(25,468)	12,447
Cash surrender value of life insurance policies	(30,113)	(29,240)
Deferred rent	(55,814)	-
Other assets	-	(1,373)
Accounts payable and accrued expenses	718,314	6,356
Salaries payable	(44,940)	(13,667)
Payroll liabilities	(42,636)	(71,026)
Scholarships payable	296	5,315
Deferred income	-	(365,000)
Other liabilities	19,816	(11,378)
<b>Net cash provided (used) by operating activities</b>	<b>1,393,940</b>	<b>(533,441)</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments in marketable securities	22,940	21,600
Proceeds from insurance for involuntary conversion	-	15,247
Proceeds from sale of property	-	763,792
Contributions restricted for investment in endowment	100,167	-
Purchases of assets restricted for investment in endowment	(195,167)	(115,000)
Purchases of investments in marketable securities	(172,338)	(40,942)
Purchases of property and equipment	(3,295,163)	(181,891)
Change in cash held for construction	(2,660,897)	-
<b>Net cash provided (used) by investing activities</b>	<b>(6,200,458)</b>	<b>462,806</b>

See notes to consolidated financial statements.

**Big Brothers Big Sisters Lone Star and Affiliate**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Cash flows from financing activities:</b>		
Collections of unconditional promises to give for investment in endowment	95,000	70,000
Collections of contributions restricted for investment in endowment	-	45,000
Collection of note receivable	-	365,000
Proceeds from issuance of long-term debt	3,500,000	-
Payments on long-term debt	<u>(143,524)</u>	<u>(111,192)</u>
<b>Net cash provided by financing activities</b>	<u>3,451,476</u>	<u>368,808</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(1,355,042)	298,173
<b>Cash and cash equivalents at beginning of year</b>	<u>2,849,804</u>	<u>2,551,631</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 1,494,762</u>	<u>\$ 2,849,804</u>
Supplemental cash flow information - cash paid during the year for interest	<u>\$ 200,480</u>	<u>\$ 169,642</u>

Noncash investing activities:

On December 27, 2016, the Organization received a donation of common stock with a fair market value of \$143,172, which was sold on January 3, 2017 for \$146,091.

During the year ended December 31, 2015, the Organization received donated services from architectural and engineering professionals with a value of \$39,998 related to construction of the Houston building. The Organization also received donations of a vehicle with a value of \$22,286 and a building in Stephenville with a value of \$218,000.

See notes to consolidated financial statements.

# **Big Brothers Big Sisters Lone Star and Affiliate**

## **Notes to Consolidated Financial Statements**

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### **1. Organization**

Big Brothers Big Sisters Lone Star (Agency) is a nonprofit organization formed to provide children from diverse and typically single-parent backgrounds with the opportunity to improve their self-esteem through positive one-on-one relationships with adult volunteers.

The Agency is currently operating from 17 separate locations in Texas: Abilene, Arlington, Bay Area, Baytown, Brownwood, Collin County, Dallas County, Denton County, Ellis County, Fort Bend County, Fort Worth, Harris County, Irving, Lamar County, Montgomery County, Stephenville and Wichita Falls.

Big Brothers Big Sisters Lone Star Foundation (Foundation) is a nonprofit organization formed for the purpose of creating and administering an endowment fund for the benefit of work sponsored by the Agency and to perform other activities as may be necessary to support the Agency. The board of directors of the Agency controls the board of directors of the Foundation.

The Agency and the Foundation are collectively referred to herein as the Organization. The Organization is supported primarily by contributions and grants from individuals, corporations, other nonprofit organizations and government agencies.

### **2. Summary of Significant Accounting Policies**

The accounting policies of the Organization conform to U.S. generally accepted accounting principles (GAAP) as applicable to voluntary health and welfare organizations. The more significant accounting policies of the Organization are described below.

#### ***Consolidated Financial Statements***

In accordance with the provisions of FASB ASC 958-810 Not-for-Profit Entities/Consolidations, the financial statements of the Agency and the Foundation have been consolidated and all inter-organization transactions and accounts have been eliminated.

#### ***Basis of Accounting***

The Organization prepares the consolidated financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recorded as incurred.

# Big Brothers Big Sisters Lone Star and Affiliate

## Notes to Consolidated Financial Statements

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### ***Financial Statement Presentation***

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Unrestricted net assets* - Net assets not subject to donor-imposed stipulations.

*Temporarily restricted net assets* - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that will never lapse thus requiring the funds to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purpose.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization chooses to show restricted contributions whose restrictions are met in the same reporting period as unrestricted contributions.

### ***Financial Instruments and Credit Risk Concentrations***

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash and cash equivalents, unconditional promises to give, accounts receivable and investments in marketable securities. Cash and cash equivalents are placed with high credit quality financial institutions to minimize risk. Unconditional promises to give are unsecured and are due from various donors. Accounts receivable are unsecured and are due from various government agencies. The Organization continually evaluates the collectability of unconditional promises to give and accounts receivable and maintains allowances for potential losses, if considered necessary. Marketable securities are subject to various risks, such as interest rate, credit and overall market volatility risks.

The Organization maintains cash balances at various financial institutions located in Texas. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2016, the Organization's uninsured balances totaled \$3,513,169.

# **Big Brothers Big Sisters Lone Star and Affiliate**

## **Notes to Consolidated Financial Statements**

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### ***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash and highly liquid investments with a maturity of three months or less when purchased. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents for purposes of the consolidated statements of cash flows.

### ***Cash Held for Construction***

Cash held for construction at December 31, 2016 of \$2,660,897 consists of advances on long-term debt to be used for construction of the Houston building.

### ***Concentration of Contributions***

At December 31, 2016 and 2015, the balance due on two pledges from one donor totaled approximately 20% of total unconditional promises to give.

### ***Investments***

The Organization's investments in marketable securities consist of mutual funds that are stated at fair value in the consolidated statements of financial position. Interest, dividends and realized and unrealized gains and losses are reported in the consolidated statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

On December 27, 2016, the Organization received a donation of common stock with a fair market value of \$143,172 which was sold on January 3, 2017 for \$146,091 and is included in investments held for sale at year end.

### ***Property and Equipment***

Property and equipment purchased by the Organization is recorded at cost or if acquired by gift, fair market value at the date of the gift. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is calculated using the straight-line method based upon the estimated useful lives of 10 to 29 years for buildings and improvements and 3 to 10 years for vehicles, furniture and equipment.

### ***Deferred Rent***

The Organization records rental revenue on a straight-line basis over the term of the lease agreement. The difference between payments received and rental income is reflected as deferred rent.

# **Big Brothers Big Sisters Lone Star and Affiliate**

## **Notes to Consolidated Financial Statements**

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### ***Debt Issuance Costs***

Debt issuance costs of \$20,008 are capitalized and expensed over the term of the related debt agreement. Accumulated amortization totaled \$2,134 and \$1,333 at December 31, 2016 and 2015, respectively. Related amortization expense for the year ended December 31, 2016 was \$801.

### ***Impairment of Long-Lived Assets***

Management of the Organization periodically reviews the carrying value of its long-lived assets, including property and equipment, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized to the extent fair value of a long-lived asset is less than the carrying amount. Fair value is determined based on the estimated future cash inflows attributable to the asset less estimated future cash outflows. No such losses were recognized during the years ended December 31, 2016 and 2015.

### ***Revenue Recognition***

Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give has been received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Government grant revenue is recognized as contract terms are fulfilled. Cost reimbursement contracts are recognized as revenue when the allowable costs are incurred. Fees for contract services are recognized as revenue when the contracted services are performed.

Donated materials, event tickets and equipment are reflected as contributions at their estimated fair values at date of receipt. The Organization recognizes contribution revenue for certain services received at the fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

### ***Grants and Contracts***

The Organization receives grants and contracts from federal and state agencies, as well as private organizations, to be used for specific programs. For government grants and contracts, the excess of reimbursable expenditures over cash receipts is included in accounts receivable.

The Organization's costs incurred under its government grants and contracts are subject to audit by government agencies. Management believes that disallowance of costs, if any, would not be material to the financial position or changes in net assets of the Organization.

## **Big Brothers Big Sisters Lone Star and Affiliate**

### **Notes to Consolidated Financial Statements**

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#### ***Federal Income Taxes***

The Foundation and the Agency are recognized by the Internal Revenue Service as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code (IRC) and are not private foundations as defined in the IRC. Income generated from activities unrelated to the Organization's exempt purposes is subject to tax under IRC Section 511. The Organization did not have a material unrelated business income tax liability as of December 31, 2016 and 2015. Therefore, no tax provision or liability has been reported in the accompanying consolidated financial statements. The Organization had no significant uncertain tax positions for the years ended December 31, 2016 and 2015.

#### ***Allocation of Functional Expenses***

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the various functions.

#### ***Estimates and Assumptions***

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

#### ***Joint Costs***

The Organization achieves certain programmatic goals through special events. Accordingly, \$26,356 and \$26,082 of special event costs was allocated to program expenses in the consolidated statements of functional expenses for the years ended December 31, 2016 and 2015, respectively.

#### ***Reclassification***

Certain items in the 2015 consolidated financial statements have been reclassified for comparative purposes to conform with the presentation of the 2016 consolidated financial statements.



# Big Brothers Big Sisters Lone Star and Affiliate

## Notes to Consolidated Financial Statements

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### 3. Recent Accounting Pronouncement

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). ASU 2015-03 requires that debt issuance costs be presented as a direct deduction from the carrying amount of the related debt liability, consistent with the presentation of debt discounts. The Organization adopted ASU 2015-03 during 2016.

### 4. Investments

Under the Fair Value Measurements and Disclosures topic of the Codification, ASC 820, disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

- |         |   |
|---------|---|
| Level 1 | Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;   |
| Level 2 | Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies;                                   |
| Level 3 | Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk. |

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

#### ***Mutual Funds***

These investments are public investment vehicles valued using the net asset value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and classified within level 1 of the valuation hierarchy.

## Big Brothers Big Sisters Lone Star and Affiliate Notes to Consolidated Financial Statements

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The Organization's mutual funds at fair value are as follows as of December 31:

	<u>2016</u>	<u>2015</u>
Mutual funds:		
Fixed income	\$ 641,757	\$ 575,354
Equity	1,506,998	1,248,992
Growth	<u>142,781</u>	<u>121,462</u>
	<u>\$ 2,291,536</u>	<u>\$ 1,945,808</u>

Approximately 94% of the investment portfolio as of December 31, 2016 and 2015, is concentrated in the following investments:

	<u>2016</u>	<u>2015</u>
LKCM Fixed Income Fund	\$ 641,757	\$ 575,354
LKCM Equity Fund	<u>1,506,998</u>	<u>1,248,992</u>
	<u>\$ 2,148,755</u>	<u>\$ 1,824,346</u>

Investment income consists of the following for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Dividends	\$ 126,013	\$ 65,942
Realized gains (losses) on sales of investments in marketable securities	1,379	(153)
Unrealized gains (losses) on investments in marketable securities	<u>59,951</u>	<u>(120,735)</u>
	<u>\$ 187,343</u>	<u>\$ (54,946)</u>

### 5. Cash Surrender Value of Life Insurance Policies

Donors have contributed life insurance policies on themselves to the Organization. The Organization is the owner and beneficiary of these policies. The estimated cash surrender value of these policies at December 31, 2016 and 2015 is \$276,310 and \$246,197 respectively.

**Big Brothers Big Sisters Lone Star and Affiliate**  
**Notes to Consolidated Financial Statements**

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**6. Unconditional Promises to Give**

Contributions to the Organization are recognized when the donor makes a promise to give that is, in substance, unconditional. These unconditional promises to give are received from various sources.

An allowance for uncollectible, unconditional promises to give is provided for based on an aging of open accounts as of the consolidated statement of financial position date and prior year experience. Promises to give due in more than one year are valued using a discount rate of 2.5%.

Unconditional promises to give at December 31, are as follows:

	<u>2016</u>	<u>2015</u>
Unconditional promises to give	\$ 1,021,237	\$ 1,932,166
Less allowance for uncollectible amounts	(347,200)	(426,066)
Less discount to net present value	<u>(23,532)</u>	<u>(31,399)</u>
Net unconditional promises to give	<u>\$ 650,505</u>	<u>\$ 1,474,701</u>
Receivable in one year or less	\$ 374,308	\$ 632,755
Receivable between one to five years	276,197	841,946

**7. Property and Equipment**

Property and equipment consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Building and improvements	\$ 8,145,605	\$ 8,145,605
Construction in progress	3,620,172	326,407
Land	2,905,158	2,905,158
Furniture and equipment	1,209,149	1,207,751
Vehicles	<u>129,173</u>	<u>129,173</u>
	16,009,257	12,714,094
Less accumulated depreciation	<u>(5,379,240)</u>	<u>(4,918,510)</u>
Property and equipment, net	<u>\$ 10,630,017</u>	<u>\$ 7,795,584</u>

During the year ended December 31, 2015, the Stephenville building's roof was damaged by a storm and the Organization received \$15,247 in insurance proceeds for a gain on involuntary conversion of \$2,513. In January 2015, the Organization sold a building in Houston with a net book value of \$680,080 for \$763,792, resulting in a gain of \$83,712.

**Big Brothers Big Sisters Lone Star and Affiliate**  
**Notes to Consolidated Financial Statements**

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**8. Scholarships Payable**

The Organization has awarded college scholarships to deserving students through the issuance of commitment letters. A liability for these scholarship commitments has been estimated based on historical utilization of the scholarships. During the years ended December 31, 2016 and 2015, scholarship payments totaling \$12,750 and \$15,000, respectively, were disbursed.

**9. Long-Term Debt**

Long-term debt consists of the following at December 31:

	2016	2015
Note payable to an organization, interest at 3%, principal and interest payable monthly through May 2029, collateralized by land and a building in Irving, Texas	\$ 2,769,157	\$ 2,854,494
Note payable to an organization, interest at 5.25%, principal and interest payable monthly through May 2029, collateralized by land and a building in Irving, Texas	961,901	983,834
Note payable to an organization, interest at 3%, interest payable monthly through August 2021, collateralized by land and a building in Houston, Texas	4,468,995	1,000,000
Note payable to a bank, interest at 4.49%, principal and interest payable monthly through October 2016, collateralized by a vehicle	-	5,249
	8,200,053	4,843,577
Less: unamortized debt issuance costs	(17,874)	(18,675)
Long-term debt, less unamortized debt issuance costs	\$ 8,182,179	\$ 4,824,902

**Big Brothers Big Sisters Lone Star and Affiliate**  
**Notes to Consolidated Financial Statements**

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Maturities of long-term debt are as follows for the years ending December 31:

2017	\$	205,998
2018		212,742
2019		219,782
2020		227,067
2021		4,199,377
Thereafter		3,135,087
	\$	8,200,053

**10. Permanently Restricted Net Assets**

The Organization established an endowment fund, the principal of which is to be held indefinitely. The annual income from the principal balances shown below is expendable to support the following purposes:

	2016	2015
Scholarships	\$ 250,000	\$ 250,000
Program	732,667	672,500
	\$ 982,667	\$ 922,500

**11. Temporarily Restricted Net Assets**

Temporarily restricted net assets represent contributions for which the donors impose restrictions on the use of the funds. Net assets were temporarily restricted for the following purposes as of December 31:

	2016	2015
Endowment fund earnings:		
Scholarships	\$ 116,565	\$ 98,459
Program	86,089	44,874
	202,654	143,333
Jack County	-	143,225
Alumni program/program training update	69,487	92,970
Scholarships	257,471	243,361
Houston building	352,500	1,643,282
Houston brick campaign	35,400	23,500
Tyler	-	621
	\$ 917,512	\$ 2,290,292

# Big Brothers Big Sisters Lone Star and Affiliate

## Notes to Consolidated Financial Statements

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### 12. Endowment Funds

The Organization has donor-restricted endowment funds which are maintained in accordance with explicit donor stipulations. The board of directors of the Organization has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies the original value of gifts donated to the permanent endowment as permanently restricted net assets. The portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, the Organization, in making a determination to appropriate or accumulate donor-restricted endowment funds acts in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and considers if relevant, the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by the endowment. The Organization has a spending policy of appropriating for distribution each year an amount deemed prudent to carry out the program of the Organization and to provide scholarships. Distributions consist of net investment income and may, under certain conditions, include a portion of the cumulative realized and unrealized gains.

Under the investment policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to achieve an average total annual rate of return, which exceeds the average annual return of the combined benchmark allocations while assuming a moderate level of investment risk. Returns may vary significantly from this target from year to year.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset

## Big Brothers Big Sisters Lone Star and Affiliate

### Notes to Consolidated Financial Statements

allocation by investing approximately 40% of the fund in fixed income, 45% of the fund in domestic equities and 5% in international equities, and investing the remaining 10% of the fund in cash and cash equivalents.

Changes in endowment funds are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2015	\$ (7,383)	\$ 157,807	\$ 922,500	\$ 1,072,924
Contributions	2,805	-	-	2,805
Investment return:				
Dividend income	-	23,149	-	23,149
Loss on investments	-	(37,623)	-	(37,623)
Endowment net assets, December 31, 2015	(4,578)	143,333	922,500	1,061,255
Contributions	4,578	-	100,167	104,745
Appropriations for program expenses	-	(13,500)	-	(13,500)
Uncollectible promises to give	-	-	(40,000)	(40,000)
Investment return:				
Dividend income	-	51,053	-	51,053
Gain on investments	-	21,768	-	21,768
Endowment net assets, December 31, 2016	\$ -	\$ 202,654	\$ 982,667	\$ 1,185,321

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor specified as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. This deficiency resulted from the discount of long-term promise to give. Subsequent adjustment to the discount of the long-term promise to give will be classified as an increase in unrestricted net assets.

### 13. Related Party Transactions, Commitments and Contingencies

The Organization has unconditional promises to give from various board members totaling \$327,710 and \$1,214,841 at December 31, 2016 and 2015, respectively.

The Organization entered into a property management agreement with an entity owned by a board member. The agreement calls for the property management company to be paid a management fee of 3% of monthly rents collected with a minimum of \$2,000 per month, a construction management fee of 4.5% of construction expenditures and leasing fees ranging from 2% to 6.5% of total rents. Under this agreement, the Organization paid \$24,000 during the year ended December 31, 2016. During the year ended December 31, 2015 the Organization received donated management fees from this entity with a value of \$24,000. In addition, the Organization paid the property management company \$10,204 and \$13,225 for repairs and

## Big Brothers Big Sisters Lone Star and Affiliate

### Notes to Consolidated Financial Statements

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maintenance and \$1,100 and \$1,000 for marketing fees and various reimbursements for other expenses during the years ended December 31, 2016 and 2015, respectively.

The Organization made the following purchases from businesses owned by board members during the years ended December 31:

	2016	2015
Signs	\$ 876	\$ 754
Office products	14,372	11,462
Rental for special event	23,921	13,689
	\$ 39,169	\$ 25,905

The Organization leases office equipment from an entity owned by a board member. The lease has monthly payments of \$2,200 through February 2017 and lease expense paid during the years ended December 31, 2016 and 2015 under this lease totaled \$26,400.

The Organization leases various office space and equipment under non-cancelable operating lease agreements with unrelated parties expiring through 2021. Operating lease expense related to these leases totaled \$214,268 and \$241,861 for the years ended December 31, 2016 and 2015, respectively.

The following is a schedule of future minimum lease payments under the Organization's lease agreements for the years ending December 31:

	Related Parties	Unrelated Parties	Total
2017	\$ 4,400	\$ 59,694	\$ 64,094
2018	-	37,585	37,585
2019	-	8,718	8,718
2020	-	3,600	3,600
Thereafter	-	3,600	3,600

The Organization leases software through a non-cancelable service agreement expiring in 2018. Expenses related to this agreement totaled \$35,000 for the years ended December 31, 2016 and 2015.

The following is a schedule of future minimum lease payments under the Organization's service agreement for the years ending December 31:

2017	\$ 20,000
2018	20,000



## Big Brothers Big Sisters Lone Star and Affiliate

### Notes to Consolidated Financial Statements

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The Organization enters into various transactions with other Big Brothers Big Sisters affiliates across the country. Such transactions do not materially affect the Organization.

The Organization is constructing a building in Houston, Texas. As of December 31, 2016 the Organization was committed to approximately \$3,270,000 of the total estimated amount of \$4,689,000 through agreements with the general contractor. Retainage of \$295,883 is included in accrued expenses at December 31, 2016.

#### 14. Special Event Revenue

The following special events generated significant revenue as indicated below for the years ended December 31:

	2016	2015
Gala - Dallas	\$ 508,886	\$ 284,819
Raffle	446,405	503,560
Bowl for Kids' Sake	417,062	567,879
Gala - Houston	289,457	353,662
Taste of Fort Worth	239,451	256,042
Swing for Kids' Sake - Houston	208,144	257,004
Celebrity Golf Tournament	193,201	194,484

The loss of any of these revenues would have a significant effect on the operation of the Organization. Direct costs associated with these special events totaled \$540,077 and \$559,590 for the years ended December 31, 2016 and 2015, respectively, and are not included in the above amounts.

#### 15. Rental Revenue

The Organization owns the office building in which the administrative offices are located. The remaining office space is leased to third-party tenants with leases expiring through 2021. Future minimum lease revenues required under these agreements are as follows for the years ending December 31:

2017	\$ 206,675
2018	214,499
2019	205,610
2020	162,689
2021	125,145

Rental revenue for the years ended December 31, 2016 and 2015 totaled \$293,091 and \$444,409, respectively and is included in miscellaneous income in the accompanying consolidated statements of activities.

**Big Brothers Big Sisters Lone Star and Affiliate**  
**Notes to Consolidated Financial Statements**

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**16. In-Kind Contributions**

The Organization received the following in-kind contributions during the years ended December 31:

	<u>2016</u>	<u>2015</u>
Facilities	\$ 1,142,685	\$ 496,840
Supplies, tickets and miscellaneous	47,329	56,152
Services	48,599	39,625
Construction planning for Houston building	-	39,998
Vehicle	-	22,286
Building (Stephenville)	-	218,000
Vehicles for raffle	27,000	155,876
	<u>\$ 1,265,613</u>	<u>\$ 1,028,777</u>

The Organization's Houston, Dallas County, Collin County, Fort Bend County, Wichita Falls, Ellis County, Bay Area, Lamar County, Stephenville and Jacksboro offices were housed in donated facilities during the years ended December 31, 2016 and 2015. The contribution is valued at \$1,142,685 and \$496,840 for the years ended December 31, 2016 and 2015, respectively, and is included in in-kind contributions and expense in the accompanying consolidated statements of activities.

The Organization received donations of various office supplies, event tickets, gift cards and marketing materials during 2016 and 2015. The estimated fair market value of these donations of \$47,329 and \$56,152 for the years ended December 31, 2016 and 2015, respectively, is reflected in the accompanying consolidated statements of activities as in-kind contributions and expense.

During the years ended December 31, 2016 and 2015, the Organization received donated services related to fundraising and special events with fair market values of \$48,599 and \$39,625, respectively, which is reflected in accompanying consolidated statements of activities as in-kind contributions and expense. During the year ended December 31, 2015, the Organization received donated services with a value of \$24,000 from a related party (see Note 13).

During the years ended December 31, 2015, the Organization received donated construction planning from architects and engineers related to the construction of the Houston building. The fair market value of the services was \$39,998, and has been included in in-kind contributions and capitalized in construction in progress in the accompanying consolidated financial statements.

During the year ended December 31, 2015, the Organization received a donated vehicle and building in Stephenville with fair market values of \$22,286 and \$218,000, respectively, which

## **Big Brothers Big Sisters Lone Star and Affiliate**

### **Notes to Consolidated Financial Statements**

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have been included in in-kind contributions and capitalized as property and equipment in the accompanying consolidated financial statements.

The Organization received donated vehicles for a raffle during 2016 and 2015. The estimated fair market values of these donations of \$27,000 and \$155,876 for the years ended December 31, 2016 and 2015, respectively, is reflected in the accompanying consolidated statements of activities as in-kind contributions and special event cost.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments. No amounts have been reflected for these types of donated services, as they do not meet the criteria for recognition.

#### **17. Defined Contribution Retirement Plan**

The Organization maintains a defined contribution retirement plan provided for employees meeting certain minimum eligibility requirements. Employees may contribute a portion of their earnings to this plan with the Organization making discretionary matching contributions. During the years ended December 31, 2016 and 2015, the Organization contributed matching funds of \$30,931 and \$40,941, respectively, to the plan.

#### **18. Subsequent Events**

The Organization evaluated subsequent events after the consolidated statement of financial position date of December 31, 2016 through May 5, 2017, which was the date the consolidated financial statements were available to be issued, and concluded that no additional disclosures are required

**Big Brothers Big Sisters Lone Star**  
**Schedules of Financial Position**  
**December 31, 2016 and 2015**

	2016	2015
<b>Assets</b>		
Cash and cash equivalents	\$ 745,502	\$ 828,691
Investments held for sale	143,172	-
Unconditional promises to give, net	340,660	579,763
Accounts receivable	348,167	260,055
Prepaid expenses	103,647	78,179
Property and equipment, net	295,047	448,079
Cash surrender value of life insurance policies	244,521	214,311
Deferred rent	55,814	-
Other assets	1,750	1,750
<b>Total assets</b>	<b>\$ 2,278,280</b>	<b>\$ 2,410,828</b>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 175,596	\$ 276,157
Salaries payable	180,235	225,175
Payroll liabilities	266,246	308,882
Due to Foundation	1,325,000	1,325,000
Long-term debt	-	5,249
Other liabilities	54,951	35,135
<b>Total liabilities</b>	<b>2,002,028</b>	<b>2,175,598</b>
Unrestricted net assets (deficit)	206,765	(1,586)
Temporarily restricted net assets	69,487	236,816
<b>Total net assets</b>	<b>276,252</b>	<b>235,230</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,278,280</b>	<b>\$ 2,410,828</b>

See notes to consolidated financial statements.

**Big Brothers Big Sisters Lone Star**  
**Schedule of Activities**  
**Year Ended December 31, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:				
Corporate support	\$ 1,142,290	\$ -	\$ -	\$ 1,142,290
Individual giving	1,706,965	-	-	1,706,965
Foundations	1,527,440	-	-	1,527,440
United Way allocations	1,197,773	-	-	1,197,773
Government grants and contracts	2,139,031	-	-	2,139,031
Special events (net of direct costs of \$749,063)	2,466,334	-	-	2,466,334
In-kind contributions	1,265,613	-	-	1,265,613
Miscellaneous income	331,545	-	-	331,545
Net assets released from restrictions	167,329	(167,329)	-	-
<b>Total revenue and support</b>	<b>11,944,320</b>	<b>(167,329)</b>	<b>-</b>	<b>11,776,991</b>
Operating expenses:				
Program services - program expense	8,895,630	-	-	8,895,630
Supporting services:				
Administrative expense	1,251,278	-	-	1,251,278
Fundraising expense	1,656,798	-	-	1,656,798
<b>Total operating expenses</b>	<b>11,803,706</b>	<b>-</b>	<b>-</b>	<b>11,803,706</b>
<b>Excess (deficit) of revenue over operating expenses</b>	<b>140,614</b>	<b>(167,329)</b>	<b>-</b>	<b>(26,715)</b>
Non-operating gains and other income:				
Other income	67,737	-	-	67,737
<b>Total non-operating gains and other income (expense)</b>	<b>67,737</b>	<b>-</b>	<b>-</b>	<b>67,737</b>
<b>Increase (decrease) in net assets</b>	<b>208,351</b>	<b>(167,329)</b>	<b>-</b>	<b>41,022</b>
<b>Net (deficit) assets at beginning of year</b>	<b>(1,586)</b>	<b>236,816</b>	<b>-</b>	<b>235,230</b>
<b>Net assets at end of year</b>	<b>\$ 206,765</b>	<b>\$ 69,487</b>	<b>\$ -</b>	<b>\$ 276,252</b>

See notes to consolidated financial statements.

**Big Brothers Big Sisters Lone Star**  
**Schedule of Activities**  
**Year Ended December 31, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:				
Corporate support	\$ 1,244,163	\$ -	\$ -	\$ 1,244,163
Individual giving	1,753,292	-	-	1,753,292
Foundations	1,206,255	100,000	-	1,306,255
United Way allocations	1,272,306	-	-	1,272,306
Government grants and contracts	2,061,296	-	-	2,061,296
Special events (net of direct costs of \$745,320)	2,576,031	-	-	2,576,031
In-kind contributions	770,779	-	-	770,779
Miscellaneous income	467,311	-	-	467,311
Net assets released from restrictions	82,031	(82,031)	-	-
<b>Total revenue and support</b>	<b>11,433,464</b>	<b>17,969</b>	<b>-</b>	<b>11,451,433</b>
Operating expenses:				
Program services - program expense	9,739,514	-	-	9,739,514
Supporting services:				
Administrative expense	1,134,963	-	-	1,134,963
Fundraising expense	1,522,306	-	-	1,522,306
<b>Total operating expenses</b>	<b>12,396,783</b>	<b>-</b>	<b>-</b>	<b>12,396,783</b>
<b>Excess (deficit) of revenue over operating expenses</b>	<b>(963,319)</b>	<b>17,969</b>	<b>-</b>	<b>(945,350)</b>
Non-operating gains (losses) and other income (expense):				
Interest income	7,671	-	-	7,671
Other income	6,013	-	-	6,013
Uncollectible promises to give	(144,000)	-	-	(144,000)
<b>Total non-operating gains (losses) and other income (expense)</b>	<b>(130,316)</b>	<b>-</b>	<b>-</b>	<b>(130,316)</b>
<b>Increase (decrease) in net assets</b>	<b>(1,093,635)</b>	<b>17,969</b>	<b>-</b>	<b>(1,075,666)</b>
<b>Net assets at beginning of year</b>	<b>1,092,049</b>	<b>218,847</b>	<b>-</b>	<b>1,310,896</b>
<b>Net assets at end of year</b>	<b>\$ (1,586)</b>	<b>\$ 236,816</b>	<b>\$ -</b>	<b>\$ 235,230</b>

See notes to consolidated financial statements.

**Big Brothers Big Sisters Lone Star Foundation**  
**Schedules of Financial Position**  
**December 31, 2016 and 2015**

	2016	2015
<b>Assets</b>		
Cash and cash equivalents	\$ 749,260	\$ 2,021,113
Cash held for construction	2,660,897	-
Unconditional promises to give, net	234,845	689,516
Due from Agency	1,325,000	1,325,000
Investments in marketable securities	1,559,036	1,348,308
Property and equipment, net	10,334,970	7,347,505
Cash surrender value of life insurance policies	31,789	31,886
Assets restricted for permanent endowment:		
Cash and cash equivalents	175,167	115,000
Investments in marketable securities	732,500	597,500
Unconditional promises to give, net	75,000	205,422
<b>Total assets</b>	<b>\$ 17,878,464</b>	<b>\$ 13,681,250</b>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 818,875	\$ -
Scholarships payable	29,096	28,800
Long-term debt	8,182,179	4,819,653
<b>Total liabilities</b>	<b>9,030,150</b>	<b>4,848,453</b>
Unrestricted net assets	7,017,622	5,856,821
Temporarily restricted net assets	848,025	2,053,476
Permanently restricted net assets	982,667	922,500
<b>Total net assets</b>	<b>8,848,314</b>	<b>8,832,797</b>
<b>Total liabilities and net assets</b>	<b>\$ 17,878,464</b>	<b>\$ 13,681,250</b>

See notes to consolidated financial statements.

**Big Brothers Big Sisters Lone Star Foundation**  
**Schedule of Activities**  
**Year Ended December 31, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:				
Individual giving	\$ -	\$ 16,900	\$ 100,167	\$ 117,067
Foundations	-	465,000	-	465,000
Rental income	24,000	-	-	24,000
Net assets released from restrictions	<u>1,742,782</u>	<u>(1,742,782)</u>	<u>-</u>	<u>-</u>
<b>Total revenue and support</b>	<b>1,766,782</b>	<b>(1,260,882)</b>	<b>100,167</b>	<b>606,067</b>
Operating expenses:				
Program services - program expense	233,562	-	-	233,562
Supporting services:				
Administrative expense	290,629	-	-	290,629
Fundraising expense	<u>80,938</u>	<u>-</u>	<u>-</u>	<u>80,938</u>
<b>Total operating expenses</b>	<b>605,129</b>	<b>-</b>	<b>-</b>	<b>605,129</b>
<b>Excess (deficit) of revenue over operating expenses</b>	<b>1,161,653</b>	<b>(1,260,882)</b>	<b>100,167</b>	<b>938</b>
Non-operating gains (losses) and other income (expense):				
Dividend income	61,178	64,835	-	126,013
Realized and unrealized gains on investments	31,234	30,096	-	61,330
Interest income	64,913	-	-	64,913
Other expense	(54,459)	-	-	(54,459)
Uncollectible promises to give	<u>(103,718)</u>	<u>(39,500)</u>	<u>(40,000)</u>	<u>(183,218)</u>
<b>Total non-operating gains (losses) and other income (expense)</b>	<b>(852)</b>	<b>55,431</b>	<b>(40,000)</b>	<b>14,579</b>
<b>Increase (decrease) in net assets</b>	<b>1,160,801</b>	<b>(1,205,451)</b>	<b>60,167</b>	<b>15,517</b>
<b>Net assets at beginning of year</b>	<b>5,856,821</b>	<b>2,053,476</b>	<b>922,500</b>	<b>8,832,797</b>
<b>Net assets at end of year</b>	<b><u>\$ 7,017,622</u></b>	<b><u>\$ 848,025</u></b>	<b><u>\$ 982,667</u></b>	<b><u>\$ 8,848,314</u></b>

See notes to consolidated financial statements.



**Big Brothers Big Sisters Lone Star Foundation**  
**Schedule of Activities**  
**Year Ended December 31, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:				
Corporate support	\$ -	\$ 60,000	\$ -	\$ 60,000
Individual giving	-	475,115	-	475,115
Foundations	-	251,000	-	251,000
In-kind contributions	257,998	-	-	257,998
Rental income	24,000	-	-	24,000
Net assets released from restrictions	95,111	(95,111)	-	-
<b>Total revenue and support</b>	<b>377,109</b>	<b>691,004</b>	<b>-</b>	<b>1,068,113</b>
Operating expenses:				
Program services - program expense	216,336	-	-	216,336
Supporting services:				
Administrative expense	257,021	-	-	257,021
Fundraising expense	567,705	-	-	567,705
<b>Total operating expenses</b>	<b>1,041,062</b>	<b>-</b>	<b>-</b>	<b>1,041,062</b>
<b>Excess (deficit) of revenue over operating expenses</b>	<b>(663,953)</b>	<b>691,004</b>	<b>-</b>	<b>27,051</b>
Non-operating gains and other income (expense):				
Dividend income	47,219	18,723	-	65,942
Realized and unrealized gains on investments	(85,747)	(35,141)	-	(120,888)
Interest income	65,282	-	-	65,282
Gain on involuntary conversion	2,513	-	-	2,513
Gain on sale of property	83,712	-	-	83,712
Other income	365,238	-	-	365,238
Uncollectible promises to give	-	(30,000)	-	(30,000)
<b>Total non-operating gains and other income (expense)</b>	<b>478,217</b>	<b>(46,418)</b>	<b>-</b>	<b>431,799</b>
<b>Increase (decrease) in net assets</b>	<b>(185,736)</b>	<b>644,586</b>	<b>-</b>	<b>458,850</b>
<b>Net assets at beginning of year</b>	<b>6,042,557</b>	<b>1,408,890</b>	<b>922,500</b>	<b>8,373,947</b>
<b>Net assets at end of year</b>	<b>\$ 5,856,821</b>	<b>\$ 2,053,476</b>	<b>\$ 922,500</b>	<b>\$ 8,832,797</b>

See notes to consolidated financial statements.