



Big Brothers Big Sisters Lone Star and Affiliate

**Consolidated Financial Statements
with Supplementary Information
December 31, 2017 and 2016**

Big Brothers Big Sisters Lone Star and Affiliate

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Sutton Frost Cary LLP
Certified Public Accountants

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, 2017 and 2016, 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 audits 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, 2017 and 2016, 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.

Report on Supplementary 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. The 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 21, 2018

Big Brothers Big Sisters Lone Star and Affiliate
Consolidated Statements of Financial Position
December 31, 2017 and 2016

Assets		
	2017	2016
Cash and cash equivalents	\$ 2,009,108	\$ 1,494,762
Restricted cash	901,461	-
Cash held for construction	-	2,660,897
Investments held for sale	-	143,172
Property held for sale	45,000	-
Unconditional promises to give, net	368,776	356,240
Accounts receivable	226,468	348,167
Note receivable - new market tax credit	4,572,750	-
Investments in marketable securities	1,146,896	1,559,036
Prepaid expenses	105,488	103,647
Property and equipment, net	11,852,859	10,630,017
Cash surrender value of life insurance policies	306,678	276,310
Unconditional promises to give restricted for capital campaign, net	713,670	219,265
Assets restricted for permanent endowment:		
Cash and cash equivalents	25,000	175,167
Investments in marketable securities	907,667	732,500
Unconditional promises to give, net	50,000	75,000
Deferred rent	75,880	55,814
Other assets	5,569	1,750
Total assets	\$ 23,313,270	\$ 18,831,744
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 218,561	\$ 994,471
Salaries payable	204,055	180,235
Payroll liabilities	289,323	266,246
Scholarships payable	24,750	29,096
Long-term debt, net	5,099,158	8,182,179
Note payable - new market tax credit, net	5,878,091	-
Other liabilities	23,662	54,951
Total liabilities	11,737,600	9,707,178
Unrestricted net assets	8,890,250	7,224,387
Temporarily restricted net assets	1,702,753	917,512
Permanently restricted net assets	982,667	982,667
Total net assets	11,575,670	9,124,566
Total liabilities and net assets	\$ 23,313,270	\$ 18,831,744

See notes to consolidated financial statements.

Big Brothers Big Sisters Lone Star and Affiliate
Consolidated Statement of Activities
Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:				
Corporate support	\$ 1,535,219	\$ 75,000	\$ -	\$ 1,610,219
Individual giving	1,769,001	162,350	-	1,931,351
Foundations	3,502,145	528,414	-	4,030,559
United Way allocations	1,121,000	-	-	1,121,000
Government grants and contracts	2,041,782	-	-	2,041,782
Special events (net of direct costs of \$766,475)	2,391,787	-	-	2,391,787
In-kind contributions	781,656	-	-	781,656
Miscellaneous income	317,732	-	-	317,732
Net assets released from restrictions	185,891	(185,891)	-	-
Total revenue and support	13,646,213	579,873	-	14,226,086
Operating expenses:				
Program services:				
Program expense	8,980,924	-	-	8,980,924
Supporting services:				
Administrative expense	1,195,052	-	-	1,195,052
Fundraising expense	1,755,857	-	-	1,755,857
Total operating expenses	11,931,833	-	-	11,931,833
Excess of revenue over operating expenses	1,714,380	579,873	-	2,294,253
Non-operating gains (losses) and other income (expense):				
Dividend income	32,517	66,945	-	99,462
Realized and unrealized gains on investments	123,583	138,423	-	262,006
Interest income	13,022	-	-	13,022
Loss on impairment of property	(143,819)	-	-	(143,819)
Uncollectible promises to give	(73,820)	-	-	(73,820)
Total non-operating gains (losses) and other income (expense)	(48,517)	205,368	-	156,851
Increase in net assets	1,665,863	785,241	-	2,451,104
Net assets at beginning of year	7,224,387	917,512	982,667	9,124,566
Net assets at end of year	\$ 8,890,250	\$ 1,702,753	\$ 982,667	\$11,575,670

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
Revenue and support:				
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)	-	-
Total revenue and support	13,646,473	(1,428,211)	100,167	12,318,429
Operating expenses:				
Program services:				
Program expense	9,069,362	-	-	9,069,362
Supporting services:				
Administrative expense	1,475,164	-	-	1,475,164
Fundraising expense	1,734,856	-	-	1,734,856
Total operating expenses	12,279,382	-	-	12,279,382
Excess (deficit) of revenue over operating expenses	1,367,091	(1,428,211)	100,167	39,047
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	89	-	-	89
Other income (expense), net	13,278	-	-	13,278
Uncollectible promises to give	(103,718)	(39,500)	(40,000)	(183,218)
Total non-operating gains (losses) and other income (expense)	2,061	55,431	(40,000)	17,492
Increase (decrease) in net assets	1,369,152	(1,372,780)	60,167	56,539
Net assets at beginning of year	5,855,235	2,290,292	922,500	9,068,027
Net assets at end of year	\$ 7,224,387	\$ 917,512	\$ 982,667	\$ 9,124,566

See notes to consolidated financial statements.

Big Brothers Big Sisters Lone Star and Affiliate
Consolidated Statement of Functional Expenses
Year Ended December 31, 2017

	Program Expense	Administrative Expense	Fundraising Expense	Total
Payroll and related costs	\$ 5,543,158	\$ 716,321	\$ 1,239,612	\$ 7,499,091
Professional fees and contracted services	266,474	142,308	72,595	481,377
Supplies and materials	76,860	4,521	9,042	90,423
Communications	87,254	5,133	10,265	102,652
Occupancy	366,641	21,567	43,134	431,342
Travel and transportation	92,072	5,254	13,269	110,595
Conferences and staff development	57,643	3,391	6,782	67,816
Program activity	280,891	-	-	280,891
Marketing and recruitment	97,462	13	854	98,329
Membership and dues	79,052	11,706	9,300	100,058
Equipment	148,874	8,757	17,515	175,146
Insurance	89,683	5,275	10,551	105,509
Interest	260,965	15,351	30,702	307,018
Event fundraising	32,445	-	183,853	216,298
Depreciation and amortization	378,278	26,157	44,503	448,938
Donated rent	489,141	28,773	57,546	575,460
Other	33,363	200,525	6,334	240,222
Payments to subrecipients	600,668	-	-	600,668
Total operating expenses included in the expense section on the statement of activities	8,980,924	1,195,052	1,755,857	11,931,833
Special event direct costs	-	-	766,475	766,475
Uncollectible promises to give	-	73,820	-	73,820
Total expenses by function	\$ 8,980,924	\$ 1,268,872	\$ 2,522,332	\$ 12,772,128

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
Event fundraising	26,356	-	149,348	175,704
Depreciation and amortization	246,208	107,661	106,861	460,730
Donated rent	828,755	190,036	123,894	1,142,685
Other	144,816	33,207	22,450	200,473
Payments to subrecipients	647,759	-	-	647,759
Total operating expenses included in the expense section of the statement of activities	9,069,362	1,475,164	1,734,856	12,279,382
Special event direct costs	-	-	749,063	749,063
Uncollectible promises to give	-	183,218	-	183,218
Total expenses by function	<u>\$ 9,069,362</u>	<u>\$ 1,658,382</u>	<u>\$ 2,483,919</u>	<u>\$ 13,211,663</u>

See notes to consolidated financial statements.

Big Brothers Big Sisters Lone Star and Affiliate
Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Increase in net assets	\$ 2,451,104	\$ 56,539
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	444,232	460,730
Realized and unrealized gains on investments	(262,006)	(61,330)
Loss on impairment of property	143,819	-
Contributions restricted for capital campaign	(2,514,101)	-
Contributions restricted for investment in endowment	-	(100,167)
Allowance for doubtful accounts		
Unconditional promises to give	(119,732)	(41,298)
Unconditional promises to give restricted for capital campaign	71,985	(37,568)
In-kind donation of stock held for sale	-	(143,172)
Amortization of debt issuance costs	4,706	801
Amortization of discount:		
Unconditional promises to give	(773)	(2,643)
Unconditional promises to give restricted for capital campaign	33,969	(646)
Unconditional promises to give restricted for permanent endowment	-	(4,578)
Changes in assets and liabilities:		
Unconditional promises to give	107,969	568,415
Accounts receivable	121,699	(88,112)
Prepaid expenses	(1,841)	(25,468)
Cash surrender value of life insurance policies	(30,368)	(30,113)
Deferred rent	(20,066)	(55,814)
Other assets	(3,819)	-
Accounts payable and accrued expenses	(775,910)	718,314
Salaries payable	23,820	(44,940)
Payroll liabilities	23,077	(42,636)
Scholarships payable	(4,346)	296
Other liabilities	(31,289)	19,816
Net cash provided (used) by operating activities	(337,871)	1,146,426
Cash flows from investing activities:		
Proceeds from sales of investments in marketable securities	829,080	22,940
Contributions restricted for investment in endowment	-	100,167
Purchases of assets restricted for investment in endowment	(25,000)	(195,167)
Purchases of investments in marketable securities	(154,934)	(172,338)
Purchases of property and equipment	(1,855,893)	(3,295,163)
Issuance of note receivable - new market tax credit	(4,572,750)	-
Proceeds from sale of investments held for sale	143,172	-
Net cash used by investing activities	(5,636,325)	(3,539,561)

See notes to consolidated financial statements.

Big Brothers Big Sisters Lone Star and Affiliate
Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from financing activities:		
Collections of unconditional promises to give for investment in endowment	25,000	95,000
Collections of unconditional promises to give for capital campaign	1,913,742	247,514
Change in restricted cash	(901,461)	-
Change in cash held for construction	2,660,897	(2,660,897)
Payment of debt issuance costs	(398,314)	-
Proceeds from issuance of long-term debt	10,772,500	3,500,000
Payments on long-term debt	<u>(7,583,822)</u>	<u>(143,524)</u>
Net cash provided by financing activities	<u>6,488,542</u>	<u>1,038,093</u>
Net increase (decrease) in cash and cash equivalents	514,346	(1,355,042)
Cash and cash equivalents at beginning of year	<u>1,494,762</u>	<u>2,849,804</u>
Cash and cash equivalents at end of year	<u>\$ 2,009,108</u>	<u>\$ 1,494,762</u>
Supplemental cash flow information - cash paid during the year for interest	<u>\$ 307,018</u>	<u>\$ 200,480</u>

See notes to consolidated financial statements.

Big Brothers Big Sisters Lone Star and Affiliate

Notes to Consolidated Financial Statements

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, Collin County, Dallas County, Denton County, Ellis County, Fort Bend County, Tarrant County, 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

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, 2017, the Organization's uninsured balances totaled \$2,054,955.

Big Brothers Big Sisters Lone Star and Affiliate

Notes to Consolidated Financial Statements

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.

Restricted Cash

Restricted cash represents cash held in separate accounts to be used for debt service, an operating reserve and payment of certain other expenses as required by the new market tax credit (NMTC) agreements.

Cash Held for Construction

Cash held for construction at December 31, 2016 of \$2,660,897 consisted of advances on long-term debt to be used for construction of the Houston building. This amount was fully expended during the year ended December 31, 2017.

Concentration of Contributions

At December 31, 2017, the balance due on four pledges from three donors totaled approximately 46% of total unconditional promises to give. At December 31, 2016, 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 and is included in investments held for sale at December 31, 2016.

Note Receivable – New Market Tax Credit

The note receivable – NMTC is collateralized by the membership interests related to the NMTC transaction (see Notes 7 and 10) and is stated at the principal amount. The Organization has one class of financing receivables from a highly credible institution. Management assesses the credit

Big Brothers Big Sisters Lone Star and Affiliate

Notes to Consolidated Financial Statements

quality of the NMTC note based on indicators such as collateralization and collection experience. As of December 31, 2017, no allowance has been established.

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.

Debt Issuance Costs

Debt issuance costs of \$418,322 are capitalized and expensed over the term of the related debt agreement. Accumulated amortization totaled \$6,840 and \$2,134 at December 31, 2017 and 2016, respectively. Related amortization expense for the years ended December 31, 2017 and 2016 was \$4,706 and \$801, respectively. Debt issuance costs are shown as a reduction of the carrying amount of the debt.

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. An impairment loss on property held for sale of \$143,819 was recognized during the year ended December 31, 2017.

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.

Big Brothers Big Sisters Lone Star and Affiliate

Notes to Consolidated Financial Statements

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.

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, 2017 and 2016. 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, 2017 and 2016.

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.

Big Brothers Big Sisters Lone Star and Affiliate

Notes to Consolidated Financial Statements

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, \$32,445 and \$26,356 of special event costs was allocated to program expenses in the consolidated statements of functional expenses for the years ended December 31, 2017 and 2016, respectively.

Reclassification

Certain items in the 2016 consolidated financial statements have been reclassified for comparative purpose to conform with the presentation of the 2017 consolidated financial statements.

3. Restricted Cash

Restricted cash consists of the following accounts at December 31, 2017 (see Note 10):

Disbursement account	\$ 391,072
Reserve account	258,437
Controlled funding account	55,060
Cash assigned to lender	196,892
	<u>\$ 901,461</u>

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;
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Big Brothers Big Sisters Lone Star and Affiliate

Notes to Consolidated Financial Statements

- 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.

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

	2017	2016
Mutual funds:		
Fixed income	\$ 521,878	\$ 641,757
Equity	1,404,354	1,506,998
Growth	128,331	142,781
	\$ 2,054,563	\$ 2,291,536

Approximately 94% of the investment portfolio as of December 31, 2017 and 2016, is concentrated in the following investments:

	2017	2016
LKCM Fixed Income Fund	\$ 521,878	\$ 641,757
LKCM Equity Fund	1,404,354	1,506,998
	\$ 1,926,232	\$ 2,148,755

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

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

	2017	2016
Dividends	\$ 99,462	\$ 126,013
Realized gains on sales of investments in marketable securities	79,653	1,379
Unrealized gains on investments in marketable securities	182,353	59,951
	\$ 361,468	\$ 187,343

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, 2017 and 2016 is \$306,678 and \$276,310 respectively.

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:

	2017	2016
Unconditional promises to give	\$ 1,488,627	\$ 1,021,237
Less allowance for uncollectible amounts	(299,453)	(347,200)
Less discount to net present value	(56,728)	(23,532)
Net unconditional promises to give	\$ 1,132,446	\$ 650,505
Receivable in one year or less	\$ 708,659	\$ 374,308
Receivable between one to five years	423,787	276,197

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

7. Note Receivable - NMTC

The note receivable – NMTC is due from Chase NMTC BBBS Lone Star Investment Fund, LLC (an unrelated party) with interest at 1% per annum until December 1, 2024; at which point interest and principal payments will be due quarterly until maturity on June 1, 2044. The note is collateralized by a security interest in the membership interests of the community development entity, Pacesetter CDE XXXVII, LLC (Pacesetter CDE).

The loan and regulatory agreement restrict the use of the funds to the Agency who qualifies as a qualified active low-income community business for the term of the note. The balance due to the Organization at December 31, 2017 is \$4,572,750 (see Note 10).

The interest income on the note receivable – NMTC is approximately \$46,000 per year.

8. Property and Equipment

Property and equipment consist of the following at December 31:

	2017	2016
Building and improvements	\$ 13,135,424	\$ 8,145,605
Construction in progress	-	3,620,172
Land	2,905,158	2,905,158
Furniture and equipment	1,471,405	1,209,149
Vehicles	129,173	129,173
	17,641,160	16,009,257
Less accumulated depreciation	(5,788,301)	(5,379,240)
Property and equipment, net	\$ 11,852,859	\$ 10,630,017

9. 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, 2017 and 2016, scholarship payments totaling \$13,500 and \$12,750, respectively, were disbursed.

Big Brothers Big Sisters Lone Star and Affiliate

Notes to Consolidated Financial Statements

10. Long-Term Debt

New Market Tax Credit Financing

On August 24, 2017, the Organization entered into a NMTC financing transaction to partially fund the construction of a new building in Houston, Texas. As part of the transaction, the Foundation made a loan of \$4,572,750 to Chase NMTC BBBS Lone Star Investment Fund, LLC (Investment Fund). The loan is due June 1, 2044 and carries an annual interest rate of 1% (see Note 7).

On August 24, 2017, the Foundation entered into a source loan and security agreement (Source Loan) with Cadence Bank in order to fund its loan to the Investment Fund. The Source Loan consists of two tranches. In conjunction with the Source Loan, the Foundation assigned its put and call option described below to Cadence Bank. Cadence Bank can only exercise the put and call option upon default of the Source Loan. The Foundation also assigned cash and certain pledges receivable to serve as collateral for the Source Loans. Pledges receivable (gross) totaling \$952,858 and cash totaling \$196,892 at December 31, 2017 have been assigned as collateral.

Source Loan 1 is for \$4,404,781 with an interest rate of 4.75% and matures on August 24, 2024. Interest only payments are due monthly and the entire principal balance is due upon maturity. The collateral for Source Loan 1 is the Foundation's interest in the note receivable from the Investment Fund. In conjunction with Source Loan 1, the Foundation is required to deposit funds of \$18,353 monthly into a controlled funding account which had a balance of \$55,060 at December 31, 2017. Cadence Bank has a security interest in and sole control over the account. The balance on Source Loan 1 was \$1,497,117 and the balance in the control funding account was \$59,060 at December 31, 2017. Source Loan 2 was for \$95,219 and was fully repaid prior to December 31, 2017.

In conjunction with the Foundation's note receivable, Chase Community Equity, LLC (NMTC Investor), a Delaware corporation, contributed \$2,154,750 to the Investment Fund. The NMTC Investor will receive tax credits in return for its investment in the Investment Fund. The Investment Fund used the collective proceeds from the Foundation and the NMTC Investor to fund a Community Development Entity (CDE), Pacesetter CDE.

The Agency entered into a \$6,272,500 loan agreement with Pacesetter CDE. The loan consists of two tranches, Loan A in the amount of \$4,572,750 and Loan B in the amount of \$1,699,750, both of which have an interest rate of 0.938% per annum. Interest payments are due and payable annually, in arrears, beginning September 1, 2017. Commencing on March 1, 2025, annual payments of principal and interest in the amount of \$65,811 are due in arrears until maturity. The loans mature on December 1, 2051. The loans are secured by a deed of trust, security agreement, assignment of rents and leases and financing statement on the Houston property. The note payable, net of unamortized issuance costs of \$394,409, was \$5,878,091 at December 31, 2017. A portion of the proceeds is to be held in a reserve fund for payment of a portion of

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

the debt service and certain other expenses of the Agency. Proceeds of the loan that have not been spent on construction or moved to the reserve account are held in a disbursement account. The reserve account and the disbursement account are under the control of Pacesetter CDE and have balances of \$258,437 and \$391,072, respectively, at December 31, 2017.

The NMTCs were allocated in this transaction pursuant to Section 45D of the IRC. After the seven-year NMTC compliance period expires, it is anticipated that the NMTC Investor will exercise its put option to sell its ownership interest in the Investment Fund to the Organization for \$1,000. If the NMTC Investor does not exercise that put option then the put and call agreement allows the Organization to exercise a call option to purchase the interest in the Investment Fund at an appraised fair value. Immediately after the exit transactions are completed, the Organization will be the holder of the Investment Fund's note payable and, as such the loan will be eliminated in the consolidated financial statements. It is anticipated that the loans will be discharged.

Other Long-Term Debt

The Organization has a note payable to an organization with an interest rate of 3%. Principal and interest payments are payable monthly through May 2029. The loan is collateralized by land and a building in Irving, Texas. The balance on the note payable was \$2,680,677 and \$2,769,157 at December 31, 2017 and 2016, respectively.

The Organization has a note payable to an organization with an interest rate of 5.25%. Principal and interest payments are payable monthly through May 2029. The loan is collateralized by land and a building in Irving, Texas. The balance on the note payable was \$938,437 and \$961,901 at December 31, 2017 and 2016, respectively.

The Organization has a note payable to an organization with an interest rate of 3%. Interest payments are payable monthly through August 2021. The loan is collateralized by land and a building in Houston, Texas. The loan was paid in full in 2017 and the balance as of December 31, 2016 was \$4,468,995.

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

2018	\$ 114,962
2019	119,028
2020	123,248
2021	127,629
2022	132,177
Thereafter	10,771,687
Less: unamortized debt issuance costs	<u>(411,482)</u>
	<u>\$10,977,249</u>

Big Brothers Big Sisters Lone Star and Affiliate

Notes to Consolidated Financial Statements

11. New Market Tax Credit

On August 24, 2017, the Organization entered into a NMTC financing transaction to partially fund the construction of the Houston building. The NMTC program is designed to spur new or increased investments into operating businesses and real estate projects located in low-income communities by offering investors a federal tax credit in exchange for the investments. To earn the tax credit the NMTC Investor must remain invested for a seven-year period, which will end in 2024 for the Organization's project. As part of this financing arrangement the Foundation issued a \$4,572,760 note receivable to the Investment Fund. The Investment Fund in turn made an investment in Pacesetter CDE and holds a 99.99% investor member interest in Pacesetter CDE. Pacesetter CDE made loans totaling \$6,272,500 to the Organization's project. As part of this financing arrangement, the Foundation entered into a put and call agreement (Agreement) to take place at the end of the seven-year tax credit period. Under the Agreement, the NMTC Investor can exercise a put option to sell all interest in the Investment Fund to the Foundation for \$1,000. If the NMTC Investor does not exercise that put option then the agreement allows the Foundation to exercise a call option to purchase the interest in the Investment Fund at an appraised fair market value.

The Foundation is the leveraged lender in this transaction and obtained a loan from Cadence Bank (Note 10). In conjunction with this, it assigned its put and call agreement with and the note receivable from Pacesetter CDE described above to Cadence Bank.

As part of the transaction, the Foundation loaned the Agency \$95,219 and deeded the land related to the Houston building to the Agency. In addition, the Agency reimbursed the Foundation for construction-related costs of \$4,610,627. Any amount remaining on the Foundation's books related to the Houston building after the reimbursement will be considered a transfer to the Agency. These transactions were eliminated in consolidation.

12. 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 as of December 31:

	2017	2016
Scholarships	\$ 250,000	\$ 250,000
Program	732,667	732,667
	<u>\$ 982,667</u>	<u>\$ 982,667</u>

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

13. 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:

	2017	2016
Endowment fund earnings:		
Scholarships	\$ 160,891	\$ 116,565
Program	197,590	86,089
	358,481	202,654
Alumni program/program training	69,487	69,487
IT/equipment	28,414	-
Scholarships	293,513	257,471
Houston building	952,543	352,500
Houston brick campaign	315	35,400
	\$ 1,702,753	\$ 917,512

14. 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

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Notes to Consolidated Financial Statements

- 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 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, 2016	\$ (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
Loss on investments	-	21,768	-	21,768
Endowment net assets, December 31, 2016	-	202,654	982,667	1,185,321
Appropriations for program expenses	-	(12,000)	-	(12,000)
Investment return:				
Dividend income	-	55,661	-	55,661
Gain on investments	-	112,166	-	112,166
Endowment net assets, December 31, 2017	<u>\$ -</u>	<u>\$ 358,481</u>	<u>\$ 982,667</u>	<u>\$ 1,341,148</u>

Big Brothers Big Sisters Lone Star and Affiliate

Notes to Consolidated Financial Statements

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 promises to give. Subsequent adjustment to the discount of the long-term promises to give will be classified as an increase in unrestricted net assets.

15. Related Party Transactions, Commitments and Contingencies

The Organization has unconditional promises to give from various board members totaling \$361,146 and \$327,710 at December 31, 2017 and 2016, 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 years ended December 31, 2017 and 2016. In addition, the Organization paid the property management company \$13,683 and \$10,204 for repairs and maintenance and \$1,100 and \$1,100 for marketing fees and various reimbursements for other expenses during the years ended December 31, 2017 and 2016, respectively.

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

	2017	2016
Signs	\$ -	\$ 876
Office products	5,445	14,372
Rental for special event	23,153	23,921
	\$ 28,598	\$ 39,169

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

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 \$226,623 and \$214,268 for the years ended December 31, 2017 and 2016, respectively.

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

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

2018	\$	96,264
2019		69,030
2020		62,885
2021		48,600
2022		26,100

The Organization leases software through a non-cancelable service agreement expiring in 2018. Expenses related to this agreement totaled \$39,000 and \$35,000 for the years ended December 31, 2017 and 2016, respectively. Future minimum lease payments under the Organization's service agreement total \$46,720 for the year ended December 31, 2018.

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

16. Special Event Revenue

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

	2017	2016
Gala - Dallas	\$ 524,810	\$ 508,886
Raffle	387,850	446,405
Bowl for Kids' Sake	349,380	417,062
Gala - Houston	326,261	289,457
Taste of Fort Worth	248,215	239,451
Swing for Kids' Sake - Houston	268,455	208,144
Celebrity Golf Tournament	187,435	193,201
Taste of Houston	213,398	91,466

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 \$530,422 and \$540,077 for the years ended December 31, 2017 and 2016, respectively, and are not included in the above amounts.

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

17. 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 2022. Future minimum lease revenues required under these agreements are as follows for the years ending December 31:

2018	\$ 288,746
2019	282,746
2020	234,814
2021	163,788
2022	32,988

Rental revenue for the years ended December 31, 2017 and 2016 totaled \$260,878 and \$293,091, respectively and is included in miscellaneous income in the accompanying consolidated statements of activities.

18. In-Kind Contributions

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

	<u>2017</u>	<u>2016</u>
Facilities	\$ 575,460	\$ 1,142,685
Supplies, tickets and miscellaneous	81,940	47,329
Services	44,699	48,599
Vehicles for raffle	<u>79,557</u>	<u>27,000</u>
	<u>\$ 781,656</u>	<u>\$ 1,265,613</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, 2017 and 2016. The contribution is valued at \$575,460 and \$1,142,685 for the years ended December 31, 2017 and 2016, 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, marketing materials, and furniture for the new building during 2017 and 2016. The estimated fair market value of these donations of \$81,940 and \$47,329 for the years ended December 31, 2017 and 2016, respectively, is reflected in the accompanying consolidated statements of activities as in-kind contributions and expense.

Big Brothers Big Sisters Lone Star and Affiliate

Notes to Consolidated Financial Statements

During the years ended December 31, 2017 and 2016, the Organization received donated services related to fundraising and special events with fair market values of \$44,699 and \$48,599, respectively, which is reflected in accompanying consolidated statements of activities as in-kind contributions and expense.

The Organization received donated vehicles for a raffle during 2017 and 2016. The estimated fair market values of these donations of \$79,557 and \$27,000 for the years ended December 31, 2017 and 2016, 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.

19. 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, 2017 and 2016, the Organization contributed matching funds of \$33,897 and \$30,931, respectively, to the plan.

20. Subsequent Events

The Organization evaluated subsequent events after the consolidated statement of financial position date of December 31, 2017 through May 21, 2018, 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, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	\$ 1,556,016	\$ 745,502
Restricted cash	649,509	-
Investments held for sale	-	143,172
Unconditional promises to give, net	352,776	340,660
Accounts receivable	226,468	348,167
Prepaid expenses	105,488	103,647
Property and equipment, net	7,218,505	295,047
Cash surrender value of life insurance policies	275,398	244,521
Deferred rent	75,880	55,814
Other assets	5,569	1,750
	Total assets	Total assets
	\$ 10,465,609	\$ 2,278,280
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 218,561	\$ 175,596
Salaries payable	204,055	180,235
Payroll liabilities	289,323	266,246
Due to Foundation	1,326,750	1,325,000
Note payable to Foundation	95,219	-
Notes payable - new market tax credit, net	5,878,091	-
Other liabilities	23,662	54,951
	Total liabilities	Total liabilities
	8,035,661	2,002,028
Unrestricted net assets	2,332,047	206,765
Temporarily restricted net assets	97,901	69,487
	Total net assets	Total net assets
	2,429,948	276,252
	Total liabilities and net assets	Total liabilities and net assets
	\$ 10,465,609	\$ 2,278,280

See notes to consolidated financial statements.

Big Brothers Big Sisters Lone Star
Schedule of Activities
Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:				
Corporate support	\$ 1,535,219	\$ -	\$ -	\$ 1,535,219
Individual giving	1,663,149	-	-	1,663,149
Foundations	1,887,695	28,414	-	1,916,109
United Way allocations	1,121,000	-	-	1,121,000
Government grants and contracts	2,041,782	-	-	2,041,782
Special events (net of direct costs of \$766,475)	2,391,787	-	-	2,391,787
In-kind contributions	781,656	-	-	781,656
Miscellaneous income	317,732	-	-	317,732
Net assets released from restrictions	-	-	-	-
Total revenue and support	11,740,020	28,414	-	11,768,434
Operating expenses:				
Program services:				
Program expense	8,542,503	-	-	8,542,503
Supporting services:				
Administrative expense	1,160,999	-	-	1,160,999
Fundraising expense	1,705,355	-	-	1,705,355
Total operating expenses	11,408,857	-	-	11,408,857
Excess of revenue over operating expenses	331,163	28,414	-	359,577
Non-operating gains and other income:				
Interorganizational transfer	1,768,059	-	-	1,768,059
Interest income	646	-	-	646
Other income	25,414	-	-	25,414
Total non-operating gains and other income	1,794,119	-	-	1,794,119
Increase in net assets	2,125,282	28,414	-	2,153,696
Net assets at beginning of year	206,765	69,487	-	276,252
Net assets at end of year	\$ 2,332,047	\$ 97,901	\$ -	\$ 2,429,948

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)	-	-
Total revenue and support	<u>11,944,320</u>	<u>(167,329)</u>	<u>-</u>	<u>11,776,991</u>
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
Total operating expenses	<u>11,803,706</u>	<u>-</u>	<u>-</u>	<u>11,803,706</u>
Excess (deficit) of revenue over operating expenses	140,614	(167,329)	-	(26,715)
Non-operating gains and other income:				
Other income	67,737	-	-	67,737
Total non-operating gains and other income	<u>67,737</u>	<u>-</u>	<u>-</u>	<u>67,737</u>
Increase (decrease) in net assets	208,351	(167,329)	-	41,022
Net (deficit) assets at beginning of year	<u>(1,586)</u>	<u>236,816</u>	<u>-</u>	<u>235,230</u>
Net assets at end of year	<u>\$ 206,765</u>	<u>\$ 69,487</u>	<u>\$ -</u>	<u>\$ 276,252</u>

See notes to consolidated financial statements.

Big Brothers Big Sisters Lone Star Foundation
Schedules of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	\$ 453,092	\$ 749,260
Restricted cash	251,952	-
Cash held for construction	-	2,660,897
Property held for sale	45,000	-
Unconditional promises to give, net	16,000	15,580
Due from Agency	1,326,750	1,325,000
Note receivable from Agency	95,219	-
Note receivable - new market tax credit	4,572,750	-
Investments in marketable securities	1,146,896	1,559,036
Property and equipment, net	4,634,354	10,334,970
Cash surrender value of life insurance policies	31,280	31,789
Unconditional promises to give restricted for capital campaign, net	713,670	219,265
Assets restricted for permanent endowment:		
Cash and cash equivalents	25,000	175,167
Investments in marketable securities	907,667	732,500
Unconditional promises to give, net	50,000	75,000
Total assets	\$ 14,269,630	\$ 17,878,464
Liabilities and Net Assets		
Accounts payable	\$ -	\$ 818,875
Scholarships payable	24,750	29,096
Long-term debt, net	5,099,158	8,182,179
Total liabilities	5,123,908	9,030,150
Unrestricted net assets	6,558,203	7,017,622
Temporarily restricted net assets	1,604,852	848,025
Permanently restricted net assets	982,667	982,667
Total net assets	9,145,722	8,848,314
Total liabilities and net assets	\$ 14,269,630	\$ 17,878,464

See notes to consolidated financial statements.

Big Brothers Big Sisters Lone Star Foundation
Schedule of Activities
Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:				
Corporate support	\$ -	\$ 75,000	\$ -	\$ 75,000
Individual giving	105,852	162,350	-	268,202
Foundations	1,671,000	500,000	-	2,171,000
Rental income	24,000	-	-	24,000
Net assets released from restrictions	185,891	(185,891)	-	-
Total revenue and support	1,986,743	551,459	-	2,538,202
Operating expenses:				
Program services:				
Program expense	551,975	-	-	551,975
Supporting services:				
Administrative expense	37,406	-	-	37,406
Fundraising expense	57,208	-	-	57,208
Total operating expenses	646,589	-	-	646,589
Excess of revenue over operating expenses	1,340,154	551,459	-	1,891,613
Non-operating gains (losses) and other income (expense):				
Interorganizational transfer	(1,768,059)	-	-	(1,768,059)
Dividend income	32,517	66,945	-	99,462
Realized and unrealized gains on investments	123,583	138,423	-	262,006
Interest income	30,025	-	-	30,025
Loss on impairment of property	(143,819)	-	-	(143,819)
Uncollectible promises to give	(73,820)	-	-	(73,820)
Total non-operating gains (losses) and other income (expense)	(1,799,573)	205,368	-	(1,594,205)
Increase (decrease) in net assets	(459,419)	756,827	-	297,408
Net assets at beginning of year	7,017,622	848,025	982,667	8,848,314
Net assets at end of year	\$ 6,558,203	\$ 1,604,852	\$ 982,667	\$ 9,145,722

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>	-	-
Total revenue and support	1,766,782	(1,260,882)	100,167	606,067
Operating expenses:				
Program services :	233,562	-	-	233,562
Program expense				
Supporting services:				
Administrative expense	290,629	-	-	290,629
Fundraising expense	<u>80,938</u>	<u>-</u>	<u>-</u>	<u>80,938</u>
Total operating expenses	<u>605,129</u>	<u>-</u>	<u>-</u>	<u>605,129</u>
Excess (deficit) of revenue over operating expenses	1,161,653	(1,260,882)	100,167	938
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>
Total non-operating gains (losses) and other income (expense)	<u>(852)</u>	<u>55,431</u>	<u>(40,000)</u>	<u>14,579</u>
Increase (decrease) in net assets	1,160,801	(1,205,451)	60,167	15,517
Net assets at beginning of year	<u>5,856,821</u>	<u>2,053,476</u>	<u>922,500</u>	<u>8,832,797</u>
Net assets at end of year	<u>\$ 7,017,622</u>	<u>\$ 848,025</u>	<u>\$ 982,667</u>	<u>\$ 8,848,314</u>

See notes to consolidated financial statements.